



A G E N D A



**CITY OF IMPERIAL BEACH
CITY COUNCIL
PLANNING COMMISSION
PUBLIC FINANCING AUTHORITY
HOUSING AUTHORITY**

IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY

DECEMBER 9, 2015

**Council Chambers
825 Imperial Beach Boulevard
Imperial Beach, CA 91932**

**CLOSED SESSION MEETING – 4:30 P.M.
SPECIAL MEETING – 5:00 P.M.**

THE CITY COUNCIL ALSO SITS AS THE CITY OF IMPERIAL BEACH PLANNING COMMISSION, PUBLIC FINANCING AUTHORITY, HOUSING AUTHORITY AND IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY

The City of Imperial Beach is endeavoring to be in total compliance with the Americans with Disabilities Act (ADA). If you require assistance or auxiliary aids in order to participate at City Council meetings, please contact the City Clerk's Office at (619) 423-8301, as far in advance of the meeting as possible.

CLOSED SESSION MEETING CALL TO ORDER

ROLL CALL BY CITY CLERK

CLOSED SESSION

1. CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Section 54956.9: (One potential case: Dispute between City of Coronado, U.S. Navy and Imperial Beach regarding the proposed increase in wastewater from Naval Base into City of Imperial Beach's wastewater system and impact of San Diego LAFCO decision allowing Navy to route its wastewater to Imperial Beach)

RECONVENE AND ANNOUNCE ACTION (IF APPROPRIATE)

ADJOURN CLOSED SESSION

SPECIAL MEETING CALL TO ORDER

ROLL CALL BY CITY CLERK

PUBLIC COMMENT - Each person wishing to address the City Council regarding items not on the posted agenda may do so at this time. In accordance with State law, Council may not take action on an item not scheduled on the agenda. If appropriate, the item will be referred to the City Manager or placed on a future agenda.

PRESENTATIONS (1.1)

1.1* PRESENTATION ON PORT DISTRICT ACTIVITIES BY PORT CHAIRMAN MALCOLM. (0150-70)

*No staff report

Any writings or documents provided to a majority of the City Council/Planning Commission/Public Financing Authority/Housing Authority/I.B. Redevelopment Agency Successor Agency regarding any item on this agenda will be made available for public inspection in the office of the City Clerk located at 825 Imperial Beach Blvd., Imperial Beach, CA 91932 during normal business hours.

CONSENT CALENDAR (2.1-2.5)-All matters listed under Consent Calendar are considered to be routine by the City Council and will be enacted by one motion. There will be no separate discussion of these items, unless a Councilmember or member of the public requests that particular item(s) be removed from the Consent Calendar and considered separately. Those items removed from the Consent Calendar will be discussed at the end of the Agenda.

2.1 ROTATION OF MAYOR PRO TEMPORE DUTIES. (0410-13)

Recommendation: Appoint Councilmember Edward Spriggs as Mayor Pro Tempore for a one-year period pursuant to City Council Policy 112 effective at the first Council meeting in January.

2.2 RESOLUTION NO. 2015-7656 AWARDING PUBLIC WORKS CONTRACT TO WIT: INSTALLATION OF SOCCER FIELD NETTING - PROJECT NO. (P16-301) AND APPROPRIATING AN ADDITIONAL \$20,000 FROM THE GENERAL FUND UNASSIGNED FUND BALANCE TO PROJECT NO. (P16-301). (0920-70)

Recommendation: Adopt Resolution No. 2015-7656 awarding the contract for the Soccer Field Netting installation to Judge Netting, Inc. at a bid price of \$44,500. Adopted Resolution No. 2015-7656 will also appropriate an additional \$20,000 from the General Fund Unassigned Fund Balance Reserve to Project No. P16-301.

2.3 RESOLUTION NO. 2015-7657 AWARDING PUBLIC WORKS CONTRACT TO WIT: BAYSHORE BIKEWAY FENCE REMOVAL - PROJECT NO. (P16-703) AND APPROPRIATING AN ADDITIONAL \$21,000 FROM THE AMENDED COUNTY OF SAN DIEGO NEIGHBORHOOD REINVESTMENT PROGRAM GRANT TO PROJECT NO. (P16-703). (0680-20)

Recommendation: Adopt Resolution No. 2015-7657 awarding the contract for the Bayshore Bikeway Fence Removal to Quality Fence Company, Inc. at a bid price of \$48,400. Adoption of Resolution No. 2015-7657 will also appropriate an additional \$21,000 from the County of San Diego Neighborhood Reinvestment Program Grant Amendment (when received) to Project No. P16-703.

2.4 RECEIVE AND FILE THE ANNUAL AUDIT OF HOUSING AUTHORITY FUNDS PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34327.6 AND THE AUDIT OF THE LOW AND MODERATE INCOME HOUSING ASSET FUND AND THE REPORT OF THE HOUSING AUTHORITY SERVING AS THE SUCCESSOR HOUSING ENTITY OF THE IMPERIAL BEACH REDEVELOPMENT AGENCY PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34176.1(f). (0412-50)

Recommendation: That the Housing Authority:

1. Receive and file the audit of Housing Authority funds as included in the City's audited Financial Statements for fiscal year ended June 30, 2015 (beginning on Page 18) pursuant to HSC 34327.6 of the Housing Authorities Law;
2. Receive and file the audit of the Low and Moderate Income Housing Asset Funds of the Housing Authority as included in the City's audited Financial Statements for fiscal year ended June 30, 2015 (beginning on Page 18) pursuant to HSC 34176.1(f) of the Dissolution Laws;
3. Receive and file the Report providing the information required by HSC Section 34176.1(f) of the Dissolution Laws.

2.5 AUTHORIZATION TO EXECUTE AN AGREEMENT WITH GREEN DE BORTNOWSKY, LLP FOR TEMPORARY AND LIMITED LEGAL SERVICES. (0440-30)

Recommendation: Authorize the City Manager to execute an agreement for temporary and limited legal services with the law firm of Green de Bortnowsky, LLP to resolve a dispute related to the provision of wastewater services for the proposed Navy Coastal Campus.

ORDINANCES – INTRODUCTION/FIRST READING (3)

None.

PUBLIC HEARINGS (4)

None.

REPORTS (5.1)

5.1 AD HOC COUNCIL SUB-COMMITTEE TO WORK ON COMMERCIAL ZONING RELATIVE TO MULTI-FAMILY RESIDENTIAL. (0410-05 & 0610-05)

Recommendation: That the Mayor appoint two Councilmembers to an ad hoc Council Sub-Committee to scope the issues relative to the concerns raised about some mixed use zoning districts and prepare an initial issues report and forward said report back to the entire City Council for review. Staff would further indicate that Councilman Patton, who provided the direction to staff, has indicated that he would like to serve on the Sub-Committee.

I.B. REDEVELOPMENT AGENCY SUCCESSOR AGENCY REPORTS (6)

None.

ITEMS PULLED FROM THE CONSENT CALENDAR (IF ANY)

ADJOURNMENT

The Imperial Beach City Council welcomes you and encourages your continued interest and involvement in the City's decision-making process.

FOR YOUR CONVENIENCE, A COPY OF THE AGENDA AND COUNCIL MEETING PACKET MAY BE VIEWED IN THE OFFICE OF THE CITY CLERK AT CITY HALL OR ON OUR WEBSITE AT www.ImperialBeachCA.gov.

/s/
Jacqueline M. Hald, MMC
City Clerk

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STAFF REPORT
CITY OF IMPERIAL BEACH

TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: ANDY HALL, CITY MANAGER *AH*
MEETING DATE: DECEMBER 9, 2015
ORIGINATING DEPT.: CITY CLERK *JMH*
SUBJECT: ROTATION OF MAYOR PRO TEMPORE DUTIES

EXECUTIVE SUMMARY:

Select Councilmember Edward Spriggs to serve as the next Mayor Pro Tempore pursuant to Council Policy 112.

RECOMMENDATION:

Appoint Councilmember Edward Spriggs as Mayor Pro Tempore for a one-year period pursuant to City Council Policy 112 effective at the first Council meeting in January.

RATIONALE:

If the Mayor is absent or unable to act, the Mayor Pro Tempore shall serve until the Mayor returns or is able to act. The Mayor Pro Tempore has all of the powers and duties of the Mayor when absent (Imperial Beach Municipal Code Section 2.10.020).

Imperial Beach Municipal Code 2.10.010 states the City Council shall, at the next meeting after the first meeting in December, choose one of its members as Mayor Pro Tempore. The Mayor Pro Tempore shall serve on a rotating basis and be seated at the first meeting in January pursuant to Council Policy 112.

OPTIONS:

- Appoint Councilmember Edward Spriggs as Mayor Pro Tempore for a one-year period pursuant to City Council Policy 112 effective at the first Council meeting in January
- Request additional information and an additional report

BACKGROUND:

In accordance with City Council Policy 112, the Mayor Pro Tem Rotation List was established after the 2014 Election as follows:

- (1) Current Councilmember (One who has not served as Mayor Pro Tempore): Brian P. Bilbray.
- (2) Councilmember Elect (One with most votes from previous election): Edward Spriggs.
- (3) Councilmember Elect: Lorie Bragg.
- (4) Current Councilmember (One who just completed one (1) year as Mayor Pro Tempore): Robert Patton

Additionally, after a councilmember serves one (1) year as Mayor Pro Tempore, he/she will go to the bottom of the list and the others will move up one (1) spot. The rotation list for 2016 is as follows:

- (1) Current Councilmember (One who has not served as Mayor Pro Tempore): Edward Spriggs.
- (2) Councilmember Elect (One with most votes from previous election): Lorie Bragg.
- (3) Councilmember Elect: Robert Patton.
- (4) Current Councilmember (One who just completed one (1) year as Mayor Pro Tempore): Brian P. Bilbray.

ANALYSIS:

Edward Spriggs is the next Councilmember in the rotation to serve as Mayor Pro Tempore.

ENVIRONMENTAL DETERMINATION:

Not a project as defined by CEQA.

FISCAL IMPACT:

None associated with this report.

Attachments:

1. I.B.M.C. 2.10.010 and 2.10.020
2. City Council Policy No. 112

Imperial Beach Municipal Code							
Up	Previous	Next	Main	Collapse	Search	Print	No Frames

[Title 2. ADMINISTRATION AND PERSONNEL](#)

Chapter 2.10. MAYOR PRO TEMPORE

2.10.010. Selection of Mayor pro tempore—Term.

The City Council shall, at the next meeting after the first meeting in December, choose one of its members as Mayor pro tempore. The Mayor pro tempore shall serve on a rotating basis as provided in City Council policy, or until the expiration of the normal term as set forth in this title. (Ord. 829, 1990)

2.10.020. Duties of Mayor pro tempore.

If the Mayor is absent or unable to act, the Mayor pro tempore shall serve until the Mayor returns or is able to act. The Mayor pro tempore has all of the powers and duties of the Mayor. (Ord. 829, 1990)

View the [mobile version](#).

CITY OF IMPERIAL BEACH
COUNCIL POLICY

SUBJECT:	POLICY NUMBER	EFFECTIVE DATE	PAGE
Rotation of Mayor Pro Tempore Duties	112	3/4/92	1 of 1

ADOPTED BY: Resolution 92-4085 DATED: March 4, 1992

On March 4, 1992, the City Council resolved to establish the following policy:

1. The mayor pro tempore will be selected, and have the powers and duties, as specified in Section 2.10 of the Imperial Beach Municipal Code.
2. The mayor pro tempore will be seated at the first council meeting in January.
3. The mayor pro tempore shall serve on a rotating basis so that each councilmember serves one (1) year as mayor pro tempore during his/her four (4) year term.
4. The councilmember chosen to be mayor pro tempore each year will be the councilmember on the top of the rotation list, which will be established and maintained as follows:
 - a. After each election, the rotation list will be established as follows (in line to serve as mayor pro tempore from top to bottom):
 - (1) Current councilmember (One who has not served as mayor pro tempore).
 - (2) Councilmember Elect (One with most votes from previous election).
 - (3) Councilmember Elect.
 - (4) Current councilmember (One who just completed one (1) year as mayor pro tempore).
 - b. After a councilmember serves one (1) year as mayor pro tempore, he/she will go to the bottom of the list and the others will move up one (1) spot.
 - c. Newly elected/re-elected councilmembers will be placed on the list, after the current councilmember who has not served as mayor pro tempore, in order of votes received.



STAFF REPORT
CITY OF IMPERIAL BEACH

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: ANDY HALL, CITY MANAGER *AH*

MEETING DATE: DECEMBER 9, 2015

ORIGINATING DEPT.: PUBLIC WORKS *Hof*

SUBJECT: RESOLUTION NO. 2015-7656 AWARDING PUBLIC WORKS CONTRACT TO WIT: INSTALLATION OF SOCCER FIELD NETTING - PROJECT NO. (P16-301) AND APPROPRIATING AN ADDITIONAL \$20,000 FROM THE GENERAL FUND UNASSIGNED FUND BALANCE TO PROJECT NO. (P16-301)

EXECUTIVE SUMMARY:

Resolution No. 2015-7656 awards a contract for Soccer Field Netting at a bid price of \$44,500 to Judge Netting, Inc. Judge Netting, Inc. was the lowest responsible and qualified bidder. The netting is to be mounted on 25-foot high aluminum poles between the soccer field artificial turf and the residential dwellings to the east of the field. The purpose of this netting is to minimize the opportunity for soccer balls to fly from the soccer field play area into the adjacent residents' back yards. Resolution No. 2015-7656 also will appropriate an additional \$20,000 from the General Fund Unassigned Fund Balance Reserve to Project No. P16-301.

RECOMMENDATION:

Adopt Resolution No. 2015-7656 awarding the contract for the Soccer Field Netting installation to Judge Netting, Inc. at a bid price of \$44,500. Adopted Resolution No. 2015-7656 will also appropriate an additional \$20,000 from the General Fund Unassigned Fund Balance Reserve to Project No. P16-301.

RATIONALE:

Residents adjacent to the artificial turf soccer field at Veterans Park have experienced significant inconvenience and reportedly some vandalism due to soccer balls flying from the adjacent soccer field into their back yards. Soccer players have reportedly jumped over the back yards' 6-foot masonry wall into residences to recover their errant soccer balls. Players have reportedly done this without gaining permission from the resident to enter their private property. But even if players seek permission for their ball recovery this is an invasion of a property owner's privacy. Staff seeks to minimize this inconvenience and vandalism by installing a 25-foot high netting adjacent to the residences affected.

OPTIONS:

- Adopt Resolution No. 2015-7656 awarding the Soccer Field Netting (Soccer Field Perimeter netting fence) contract to Judge Netting, Inc. at a bid price of \$44,500 and appropriating an

- additional \$20,000 from the General Fund Unassigned Fund Balance Reserve;
- Reject all bids and seek alternative bids or solutions to the errant soccer ball concerns; or
- Request additional information and an additional report

BACKGROUND:

In early calendar year 2015 the City received a letter request from several residents adjacent to the Veterans Park Youth Soccer Field to resolve the issue of soccer balls falling into their back yards from the Soccer Field play area. They alleged that many soccer players jump the 6-foot masonry wall dividing Veterans Park from their back yards to recover errant soccer balls that fall there. The players do not ask permission, they vandalize the property and harass their dogs. There have been many witnesses of this type of activity and it is an issue that requires a solution. Staff met with these residents (about six property owners) and agreed that we would develop a solution. Later the concept of erecting a 25 foot high netting adjacent to the soccer field boundary was presented to the residents. This concept was approved in general and City staff proceeded to develop a scope of work and netting design with the assistance of the City Engineer.

ANALYSIS:

The project design and specifications were completed in October 2015. The project construction was advertised for bids October 29, 2015. A public bid opening was scheduled for Tuesday, November 24, 2015 @ 2:00 p.m. Bids were opened as scheduled. The following were the bid results:

1. Judge Netting, Inc.	\$44,500
2. Quality Fence Company, Inc.	\$64,920
3. Horizon Fence Company, Inc.	\$67,400
4. Atom Engineering Construction, Inc.	\$83,398

The Engineer's Estimate was \$50,000.

ENVIRONMENTAL DETERMINATION:

This project is categorically exempt from CEQA pursuant to CEQA Guidelines Section 15301(e): addition to existing structures that will not result in an increase of existing area by 50%.

FISCAL IMPACT:

Appropriated Revenue:	G F Unassigned Fund Balance Reserve	\$30,000
	Additional Budget Appropriation	\$20,000
	TOTAL REVENUE	\$50,000
Expenditure:	NV5 (design)	\$ 2,320
	Judge Netting, Inc.	\$44,500
	Staff Administration	\$ 3,180
	TOTAL EXPENDITURES	\$50,000

Attachments:

1. Resolution No. 2015-7656

RESOLUTION NO. 2015-7656

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IMPERIAL BEACH, CALIFORNIA, AWARDED PUBLIC WORKS CONTRACT TO WIT: INSTALLATION OF SOCCER FIELD NETTING - PROJECT NO. (P16-301) AND APPROPRIATING AN ADDITIONAL \$20,000 FROM THE GENERAL FUND UNASSIGNED FUND BALANCE TO PROJECT NO. (P16-301)

WHEREAS, residents adjacent to the artificial turf soccer field at Veterans Park have experienced significant inconvenience and reportedly some vandalism due to soccer balls flying from the adjacent soccer field into their back yards; and

WHEREAS, staff seeks to minimize this inconvenience and vandalism by installing a 25-foot high netting adjacent to the residences affected; and

WHEREAS, a project design and specifications to construct a 25-foot high netting was completed in October 2015; and

WHEREAS, staff advertised for requests for bids (RFB) for this work on October 29, 2015 in the Eagle & Times Newspaper and on E-Bid Board; and

WHEREAS, the project bids were opened and evaluated Tuesday, November 24, 2015 in an advertised public meeting at 2:00 p.m.; and

WHEREAS, the lowest responsive and qualified bidder for the Installation of Soccer Field Netting Project P16-301 was Judge Netting, Inc. at a bid price of \$44,500; and

WHEREAS, the engineer's construction cost estimate was \$50,000; and

WHEREAS, the total project cost estimate is \$50,000; and

WHEREAS, there is a need to appropriate an additional \$20,000 from the General Fund Unassigned Fund Balance Reserve for the construction of the P16-301 project; and

WHEREAS, there are sufficient funds in the General Fund Unassigned Fund Balance Reserve cover the additional appropriation of \$20,000 needed for the project construction.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Imperial Beach as follows:

1. The above recitals are true and correct.
2. The legislative body hereby rejects all proposals for bids except that identified as the lowest responsible bid. The bid of the lowest, responsible qualified bidder will be on file with the transcript of these proceedings and open for public inspection in the City Clerk Department on file as Contract No. _____.
3. The contractor shall not commence construction or order equipment until he has received a Notice to Proceed.
4. The works of improvement shall be constructed in the manner and form and in compliance with the requirements as set forth in the plans and specifications for the project.
5. The City Manager is authorized to sign a purchase order with the lowest responsible qualified bidder.
6. The appropriation of \$20,000 from the General Fund Unassigned Fund Balance Reserve to the Installation of Soccer Field Netting P16-301 project is approved.

PASSED, APPROVED, AND ADOPTED by the City Council of the City of Imperial Beach at its meeting held on the 9th day of December 2015, by the following vote:

AYES: COUNCILMEMBERS:
NOES: COUNCILMEMBERS:
ABSENT: COUNCILMEMBERS:

SERGE DEDINA, MAYOR

ATTEST:

JACQUELINE M. HALD, MMC
CITY CLERK



STAFF REPORT
CITY OF IMPERIAL BEACH

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: ANDY HALL, CITY MANAGER *AH*

MEETING DATE: DECEMBER 9, 2015

ORIGINATING DEPT.: PUBLIC WORKS *HAL*

SUBJECT: RESOLUTION NO. 2015-7657 AWARDING PUBLIC WORKS CONTRACT TO WIT: BAYSHORE BIKEWAY FENCE REMOVAL - PROJECT NO. (P16-703) AND APPROPRIATING AN ADDITIONAL \$21,000 FROM THE AMENDED COUNTY OF SAN DIEGO NEIGHBORHOOD REINVESTMENT PROGRAM GRANT TO PROJECT NO. (P16-703)

EXECUTIVE SUMMARY:

Resolution No. 2015-7657 awards a contract for Bayshore Bikeway Fence Removal at a bid price of \$48,400 to Quality Fence Company, Inc. Quality Fence Company, Inc. was the lowest responsible and qualified bidder. The existing post and cable fence along the Bayshore Bikeway within the Imperial Beach city limits will be removed and relocated 3 to 5 feet outside the existing fence location. Additionally the chain link fence along the north side of the bikeway between 10th Street and Florida Street will be removed without replacement. The purpose of this relocation and removal is to open up the bikeway for the larger volume of users. The purpose of the chain link fence removal is to open up the view across San Diego Bay. Resolution No. 2015-7657 will also appropriate an additional \$21,000 from the County of San Diego Neighborhood Reinvestment Program Grant Amendment to Project No. P16-703.

RECOMMENDATION:

Adopt Resolution No. 2015-7657 awarding the contract for the Bayshore Bikeway Fence Removal to Quality Fence Company, Inc. at a bid price of \$48,400. Adoption of Resolution No. 2015-7657 will also appropriate an additional \$21,000 from the County of San Diego Neighborhood Reinvestment Program Grant Amendment (when received) to Project No. P16-703.

RATIONALE:

The City was asked by the County of San Diego to contract for the Bayshore Bikeway Fence removal or relocation within the City limits of Imperial Beach. The City received a County of San Diego Neighborhood Reinvestment Program Grant of \$30,000 to perform this work. Since the lowest qualified construction bid received was for \$48,400, the County has promised to amend the Neighborhood Reinvestment Program Grant to cover the additional cost of construction.

OPTIONS:

- Adopt Resolution No. 2015-7657 awarding the Bayshore Bikeway Fence Removal contract to Quality Fence Company, Inc. at a bid price of \$48,400 and appropriating an additional \$21,000 from the San Diego Neighborhood Reinvestment Program Grant (when received);
- Reject all bids and seek alternative bids or solutions to the perimeter fence concerns; or
- Request additional information and an additional report.

BACKGROUND:

County Supervisor Cox, Imperial Beach Mayor, concerned resource agencies and some bicycle advocates met in 2014 to discuss opening or widening the Bayshore Bikeway within the Imperial Beach city limits to provide a greater buffer for the bikeway users. The City was offered County of San Diego funding if the City would contract for and manage the contract for the fence removal and / or relocation. In July 2015 the City received the award of \$30,000 from the County of San Diego Neighborhood Reinvestment Program grant. On September 2, 2015 City Council adopted Resolution No. 2015-7622 adding the Bayshore Bikeway Fence Removal project to the two-year CIP Implementation Plan and accepted \$30,000 San Diego County Board of Supervisors Neighborhood Reinvestment Program grant. City Council then appropriated the \$30,000 to fund this construction project.

ANALYSIS:

The project design and specifications were completed in October 2015. The project construction was advertised for bids November 12, 2015. A public bid opening was scheduled for Thursday, December 3, 2015 @ 2:00 p.m. Bids were opened as scheduled. The following are the bid results:

1.	Quality Fence Company, Inc.	\$ 48,400.00
2.	Urban Corps, San Diego	\$ 56,628.40
3.	Horizon Fence Company, Inc.	\$ 69,187.00
4.	Harris Steel Fence Company, Inc.	\$136,715.00
5.	Moore Fence Company	\$153,130.01

The Engineer's Estimate was \$50,000.

With this bid opening the budget is insufficient to cover the cost of the project and will require additional funding appropriated. The County of San Diego has affirmed their intent to grant the City the additional \$21,000 needed to complete the project construction.

ENVIRONMENTAL DETERMINATION:

Project is exempt from CEQA pursuant to CEQA Guidelines Section 15303(d): New Construction or Conversion of Small Structures.

FISCAL IMPACT:

Currently Appropriated Revenue:

- San Diego County Neighborhood Reinvestment Program grant \$30,000

Revenue Appropriation Request

- San Diego County Neighborhood Reinvestment Program grant Addendum \$21,000

TOTAL REVENUE **\$51,000**

Expenditure: Quality Fence Company, Inc \$48,400
Staff Administration \$ 2,600

TOTAL EXPENDITURES **\$51,000**

Attachments:

1. Resolution No. 2015-7657
2. Bayshore Bikeway Fence Removal / Relocation plan

RESOLUTION NO. 2015-7657

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IMPERIAL BEACH, CALIFORNIA, AWARDED PUBLIC WORKS CONTRACT TO WIT: BAYSHORE BIKEWAY FENCE REMOVAL - PROJECT NO. (P16-703) AND APPROPRIATING AN ADDITIONAL \$21,000 FROM THE AMENDED COUNTY OF SAN DIEGO NEIGHBORHOOD REINVESTMENT PROGRAM GRANT TO PROJECT NO. (P16-703)

WHEREAS, the City was asked by the County of San Diego to contract for the Bayshore Bikeway Fence removal or relocation within the City limits of Imperial Beach; and

WHEREAS, the City received a County of San Diego Neighborhood Reinvestment Program Grant of \$30,000 to perform this work; and

WHEREAS, a project design and specifications to perform the Bayshore Bikeway Fence Removal was completed in October 2015; and

WHEREAS, staff advertised for requests for bids (RFB) for this work on November 5, 2015 in the Eagle & Times Newspaper and on E-Bid Board; and

WHEREAS, a public bid opening was scheduled and held for Thursday, December 3, 2015 @ 2:00 p.m.; and

WHEREAS, the lowest responsive and qualified bidder for the Bayshore Bikeway Fence Removal Project P16-703 was Quality Fence Company, Inc. at a bid price of \$48,400; and

WHEREAS, the engineer's construction cost estimate was \$50,000; and

WHEREAS, the total project cost estimate is \$51,000; and

WHEREAS, the County of San Diego has agreed to cover the additional appropriation of \$21,000 needed for the project construction.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Imperial Beach as follows:

1. The above recitals are true and correct.
2. The legislative body hereby rejects all proposals for bids except that identified as the lowest responsible bid. The bid of the lowest, responsible qualified bidder will be on file with the transcript of these proceedings and open for public inspection in the City Clerk Department on file as Contract No. _____.
3. The contractor shall not commence construction or order equipment until he has received a Notice to Proceed.
4. The works of improvement shall be constructed in the manner and form and in compliance with the requirements as set forth in the plans and specifications for the project.
5. The City Manager is authorized to sign a purchase order with the lowest responsible qualified bidder.
6. The appropriation of \$21,000 from the County of San Diego Neighborhood Reinvestment Program Grant amendment to the Bayshore Bikeway Fence Removal Project P16-703 project is approved.

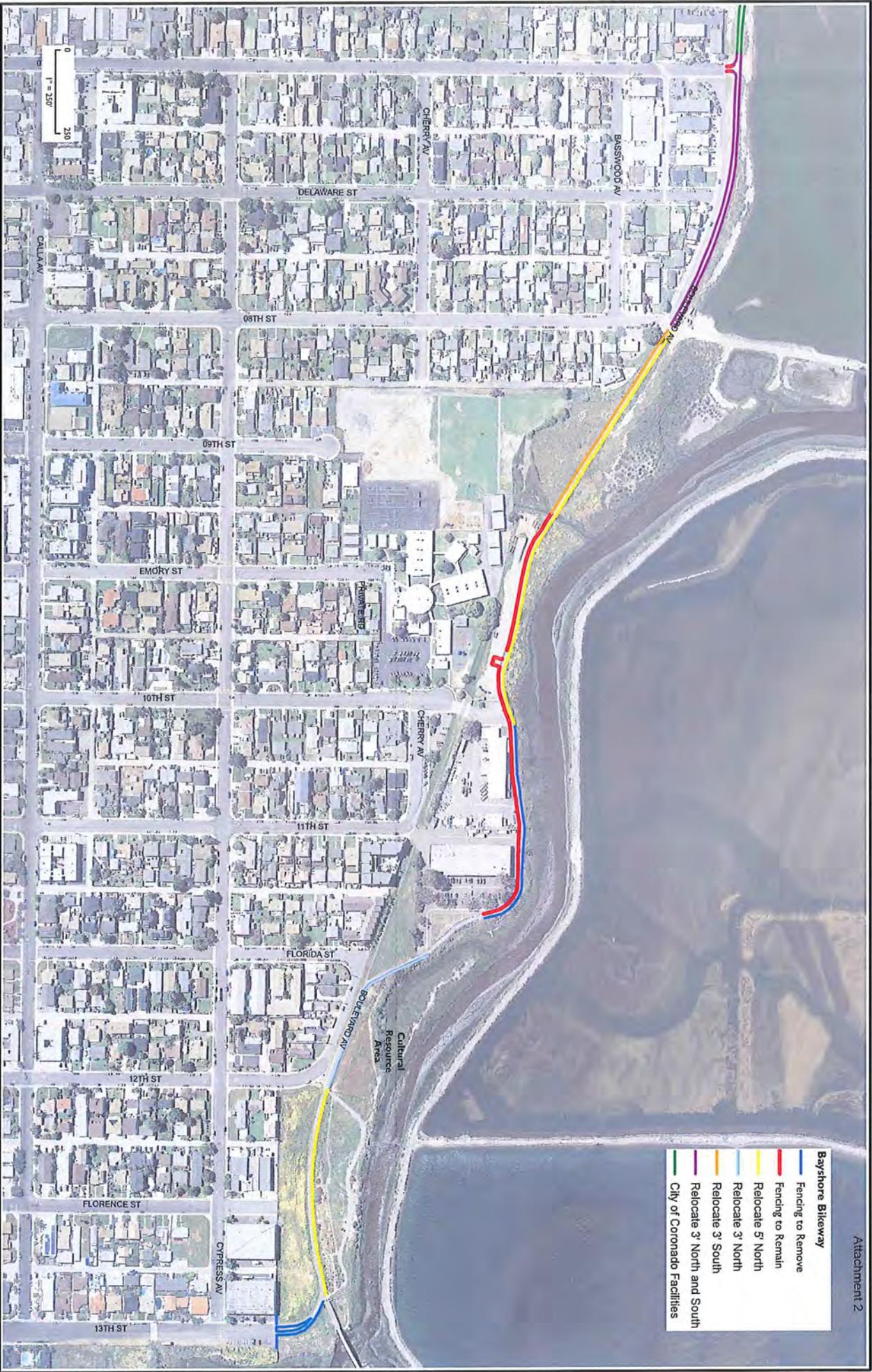
PASSED, APPROVED, AND ADOPTED by the City Council of the City of Imperial Beach at its meeting held on the 9th day of December 2015, by the following vote:

AYES: COUNCILMEMBERS:
NOES: COUNCILMEMBERS:
ABSENT: COUNCILMEMBERS:

SERGE DEDINA, MAYOR

ATTEST:

JACQUELINE M. HALD, MMC
CITY CLERK



Attachment 2

- Bayshore Bikeway**
- Fencing to Remove
- Fencing to Remain
- Relocate 5' North
- Relocate 3' North
- Relocate 3' South
- Relocate 2' North and South
- City of Coronado Facilities



AGENDA ITEM NO. 24

STAFF REPORT
HOUSING AUTHORITY OF THE
CITY OF IMPERIAL BEACH

TO: CHAIR AND MEMBERS OF THE BOARD

FROM: ANDY HALL, EXECUTIVE DIRECTOR AH

MEETING DATE: DECEMBER 9, 2015

ORIGINATING DEPT.: SUCCESSOR AGENCY & ADMINISTRATIVE SERVICES
STEVE DUSH, DEPUTY DIRECTOR SD
DOUG BRADLEY, TREASURER DB

SUBJECT: RECEIVE AND FILE THE ANNUAL AUDIT OF HOUSING AUTHORITY FUNDS PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34327.6 AND THE AUDIT OF THE LOW AND MODERATE INCOME HOUSING ASSET FUND AND THE REPORT OF THE HOUSING AUTHORITY SERVING AS THE SUCCESSOR HOUSING ENTITY OF THE IMPERIAL BEACH REDEVELOPMENT AGENCY PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34176.1(f)

EXECUTIVE SUMMARY:

Pursuant to HSC Section 34327.6 of the Housing Authorities Law, all funds of the Housing Authority not subject to a federal audit must be audited at least annually by a certified public accountant. Additionally, the Housing Authority serving as the Successor Housing Entity shall also provide to its governing body and post on its Internet Website certain information required by HSC Section 34176.1(f)(1) through (13) relating to the Low and Moderate Income Housing Asset Fund, other redevelopment affordable housing related assets and its activities during the prior fiscal year.

RECOMMENDATION:

That the Housing Authority:

1. Receive and file the audit of Housing Authority funds as included in the City's audited Financial Statements for fiscal year ended June 30, 2015 (beginning on Page 18) pursuant to HSC 34327.6 of the Housing Authorities Law;
2. Receive and file the audit of the Low and Moderate Income Housing Asset Funds of the Housing Authority as included in the City's audited Financial Statements for fiscal year ended June 30, 2015 (beginning on Page 18) pursuant to HSC 34176.1(f) of the Dissolution Laws;
3. Receive and file the Report providing the information required by HSC Section 34176.1(f) of the Dissolution Laws.

RATIONALE:

The City Staff has prepared the necessary reports as required by state law.

OPTIONS:

1. Receive and file the Housing Authority reports.

BACKGROUND:

On January 14, 2011, pursuant to the provisions of California Health and Safety Code ("HSC") Section 34200, et seq., ("Housing Authorities Law"), the City Council adopted Resolution No. 2011-6989/R-11-241 declaring that there is a need for a housing authority to function in the City and established the Housing Authority of the City of Imperial Beach ("Housing Authority"). On February 16, 2011, the Housing Authority adopted Resolution No HA-11-01 designating the officers of the Housing Authority and authorizing the San Diego County Authority to function and operate leased housing within the territorial limits of the City of Imperial Beach ("City") pursuant to Section 8 of the United States Housing Act of 1937, among other things.

Pursuant to state law governing and relating to the dissolution of redevelopment agencies (collectively referred to herein as the "Dissolution Laws"), the City Council adopted Resolution No. 2012-7136, subject to all reservations therein stated, designating that the Housing Authority receive a transfer of, without limitation, all of the housing assets, rights, powers, duties, obligations, liabilities and functions previously performed by the Imperial Beach Redevelopment Agency ("RDA") upon the RDA's dissolution, including enforcement of affordability covenants and performance of related activities pursuant to applicable provisions of the Community Redevelopment Law (Part 1, commencing with HSC Section 33000). On January 5, 2012, pursuant to the Dissolution Laws, the Housing Authority adopted Resolution No. HA-12-06 and accepted the transfer of all such housing assets, rights, powers, duties, obligations, liabilities and functions previously performed by the RDA upon the RDA's dissolution.

The RDA dissolved on February 1, 2012, and the Housing Authority became the "Successor Housing Entity" of the former RDA, based on the aforementioned designating Resolutions and the Dissolution Laws.

DISCUSSION:

Pursuant to HSC Section 34327.6 of the Housing Authorities Law, all funds of the Housing Authority not subject to a federal audit must be audited at least annually by a certified public accountant.

The audit of Housing Authority funds begins on Page 18 of the City's (audited) Financial Statements Fiscal Year Ended June 30, 2015. These funds include funds maintained in the Low and Moderate Income Housing Asset Fund established and maintained pursuant to the Dissolution Laws to be used for affordable housing related activities in accordance with HSC Section 34176, and certain housing bond proceeds from bonds issued by the former RDA maintained for use toward affordable housing purposes consistent with the bond covenants.

Further, pursuant to HSC Section 34176.1(f) of the Dissolution Laws, the Housing Authority serving as the Successor Housing Entity is required to conduct, and shall provide to its governing body, an independent financial audit of the Low and Moderate Income Housing Asset Fund established and maintained pursuant to the Dissolution Laws within six months after the

end of each fiscal year, which may be included in the independent financial audit of the City. Additionally, the Housing Authority serving as the Successor Housing Entity shall also provide to its governing body and post on its Internet Website certain information required by HSC Section 34176.1(f)(1) through (13) relating to the Low and Moderate Income Housing Asset Fund, other redevelopment affordable housing related assets and its activities during the prior fiscal year.

The audit of Low and Moderate Income Housing Asset Fund also begins on Page 18 of the City's (audited) Financial Statements Fiscal Year Ended June 30, 2015. The information required by HSC Section 34176.1(f)(1) through (13) relating to the Low and Moderate Income Housing Asset Fund, other redevelopment affordable housing related assets and activities of the Housing Authority serving as the Successor Housing Entity for Fiscal year 2014-2015 is included in the Report on Additional Housing Requirements.

ENVIRONMENTAL DETERMINATION:

Not a project as defined by CEQA.

FISCAL IMPACT:

There is no immediate fiscal impact with these actions.

Attachments:

1. City of Imperial Beach (audited) Financial Statements Fiscal Year Ended June 30, 2015.
2. Independent Auditors' Report on Compliance with Applicable Requirement and on Internal Control over Compliance.
3. Report on Additional Housing Requirements.

CITY OF IMPERIAL BEACH, CALIFORNIA
FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015

Prepared By:
FINANCE DEPARTMENT

CITY OF IMPERIAL BEACH, CALIFORNIA
FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015

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CITY OF IMPERIAL BEACH
 FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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CITY OF IMPERIAL BEACH
 FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Imperial Beach, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Imperial Beach, California, (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



To the Honorable Mayor and Members of the City Council
City of Imperial Beach, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Imperial Beach, California, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules for the general fund and the Housing Authority Fund, the schedules of proportionate share of the net pension liability and the schedules of plan contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.



To the Honorable Mayor and Members of the City Council
City of Imperial Beach, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Signature on file

Brea California
November 10, 2015

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City of Imperial Beach, California

ADMINISTRATIVE SERVICES DEPARTMENT

825 Imperial Beach Blvd., Imperial Beach, CA 91932 Tel: (619) 628-1365 Fax: (619) 424-3481

Management's Discussion and Analysis

As management of the City of Imperial Beach, California (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with information found throughout the City's financial statements.

Financial Highlights

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by **\$79,845,816** (*net position*). Of this amount, **\$21,953,410** represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.

At the close of the current fiscal year, the City's Governmental Activities (everything except the Sewer Fund) reported combined net position of **\$71,133,951**, a decrease of **\$6,876,457** in comparison with the prior year. This decrease is primarily due to the new GASB reporting requirement of the Net Pension Liability not previously reported on the financial statements. This is not a new liability; it simply was not reported in prior years. Approximately 28.5% of the net position (**\$20,284,890**) is available for spending at the government's discretion.

City of Imperial Beach
Fund Balance and Cash Flow (FY2015)

General Fund	Beg Balance	Cash In Flows	Cash Out Flows	End Balance	
Unassigned	\$ 5,930,999	\$ 19,690,706	\$ 19,191,013	\$ 6,430,692	35%
Economic Uncertainty	\$ 1,800,000	\$ -	\$ -	\$ 1,800,000	10%
Strategic Capital	\$ 3,129,588	\$ -	\$ -	\$ 3,129,588	
Public Works	\$ 1,848,188	\$ -	\$ -	\$ 1,848,188	
Public Safety Comm	\$ 272,311	\$ 527,689	\$ -	\$ 800,000	(A)
Due from Successor Agency	\$ 2,622,885	\$ -	\$ 1,146,224	\$ 1,476,661	(A)
	\$ 4,793	\$ 17,316	\$ -	\$ 22,109	
General Fund Net Revenue	\$ 15,608,764	\$ 18,544,482	\$ 18,646,008	\$ 15,507,238	(B)

Notes

(A) The City received a \$1.1M Successor Agency loan repayment, \$520K was assigned to fund the RCS and \$200K was transferred to the Housing Authority per statutes.

(B) Net Revenue is (\$101,526), however this includes a \$229,245 transfer to the Housing Authority required by law as part of the Successor Agency loan repayment.

At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of *fund balance*) for the general fund is **\$15,507,238**. The total of the *unassigned* component is **\$6,430,692** or approximately 35% of total general fund expenditures. The General Fund net revenue for the fiscal year was (\$101,526), however this includes a \$229,245 transfer to the Housing Authority in conjunction with the Successor Agency loan repayment. Therefore, actual operating net income for the year was positive.

The fund balance of the committed Economic Uncertainty, Strategic Capital and assigned Public Works remained unchanged for the year at **\$1,800,000, \$3,129,588, and \$1,848,188**, respectively. The Regional Communication System increased by \$527,689 as directed by council to a year-end balance of **\$800,000**. This was funded from a portion of the former Redevelopment Agency loan repayment. The balance owed from this loan is **\$1,476,661**.

At the end of the current fiscal year, restricted fund balance for the Housing Authority fund is **\$569,481**. This includes the statute mandated 20% portion of the former Redevelopment Agency loan repayment in the amount of **\$229,245**.

The restricted fund balance for the 2010 Bond Fund is **\$5,348,356** which includes the most recent transfer of **\$1,274,584** from the Successor Agency Trustee to the City to fund the Alley Project as part of the Capital Improvement Plan.

City of Imperial Beach
Fund Balance and Cash Flow (FY2015)

Other Government Funds	FY2015			FY2015
	Beg Balance	Cash In Flows	Cash Out Flows	End Balance
Housing Authority	\$ 610,922	\$ 249,550	\$ 290,991	\$ 569,481
2010 Bond Fund	\$ 4,647,421	\$ 1,305,889	\$ 604,954	\$ 5,348,356 (A)
Gas Tax	\$ 2,153,883	\$ 749,281	\$ 1,113,748	\$ 1,789,416
Transnet	\$ 264,248	\$ 953,249	\$ 893,620	\$ 323,877
Parks Maintenance	\$ (6)	\$ 267,675	\$ -	\$ 267,669
Sewer	\$ 2,759,919	\$ 4,332,071	\$ 4,764,410	\$ 2,327,580 (B)

Internal Service Funds	FY2015			FY2015
	Beg Balance	Cash In Flows	Cash Out Flows	End Balance
Vehicle Replacement	\$ 604,969	\$ 828,069	\$ 842,770	\$ 590,268 (B)
Technology	\$ 283,017	\$ 477,913	\$ 519,209	\$ 241,721
Facility Maintenance	\$ 407,166	\$ 141,912	\$ 65,937	\$ 483,141
Risk Management	\$ 1,600,085	\$ 377,690	\$ 573,270	\$ 1,404,505

Notes

(A) \$1,274,584 was moved from the Trustee to the City for the Alley Project.

(B) Excludes Investment in Capital Assets.

The restricted fund balance for the Gas Tax, Transnet and Park Maintenance funds are **\$1,789,416, \$323,877 and \$267,669**, respectively. These funds are also programmed to support the current Capital Improvement Plan as identified in the FY2016-2017 Budgets.

The unrestricted fund balance for the Sewer enterprise fund is **\$2,327,580**. The Sewer Fund Unrestricted Balance declined \$855,229, solely due to investment in Capital Projects. The Net Revenue, inclusive of the \$400K in annual CIP as modeled in the Rate Study and excluding a one-time payment of \$145K from the City of San Diego, was negative \$62,960.

The unrestricted fund balance for the internal service funds include; the Vehicle Replacement fund which is **\$590,268**, the Technology fund which is **\$241,721** the Risk Management fund which is **\$1,404,505**, and the Facilities Repair & Maintenance fund which is **\$483,141**.

For a detailed description of how the balance of the Citywide funds are programmed to support city needs, please refer to the adopted FY2016-FY2017 Budget.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, sanitation, and culture and recreation. The business-type activities of the City include sewer operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate agencies including the Successor Agency of the former RDA. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains three major individual governmental funds (General Fund, Housing Authority, and Capital Projects - 2010 Bond Fund). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, housing authority, capital projects - 2010 bond. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprises funds to account for its Sewer operation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the management of its retained risks and for its fleet of vehicles. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer operation and internal services fund which are considered to be major funds of the City.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are* not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains two different types of fiduciary funds. The *Private-purpose trust fund* is used to report resources held in trust for other entities. The *Agency fund* reports resources held by the City in a custodial capacity for individuals, private organizations and other governments. The City current has one agency fund, and one Private Trust fund (the Successor Agency of the Former RDA).

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by **\$79,845,816** at the close of the most recent fiscal year.

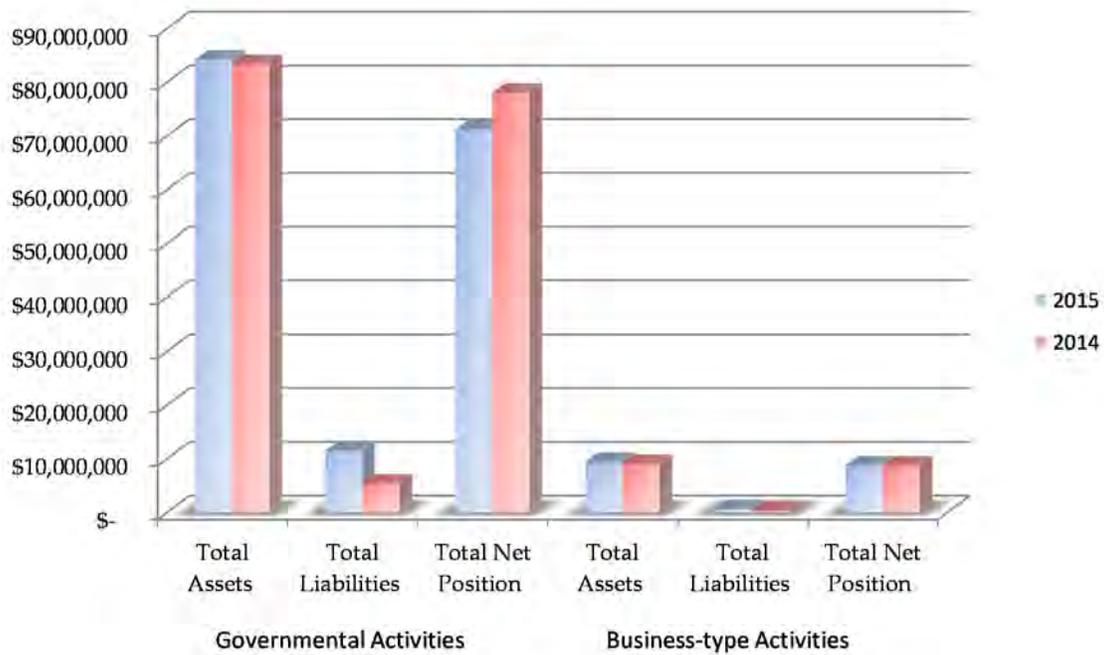
CITY OF IMPERIAL BEACH; Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 41,675,230	\$ 40,851,522	\$ 2,349,924	\$ 2,862,648	\$ 44,025,154	\$ 43,714,170
Capital Assets	42,524,177	42,533,566	7,043,345	6,151,141	49,567,522	48,684,707
Total Assets	84,199,407	83,385,088	9,393,269	9,013,789	93,592,676	92,398,877
Deferred Outflows	859,438	-	40,597	-	900,035	-
Current Liabilities	3,073,523	2,872,710	199,781	259,840	3,273,304	3,132,550
Long-term Liabilities	8,362,703	2,501,970	381,609	62,167	8,744,312	2,564,137
Total Liabilities	11,436,226	5,374,680	581,390	322,007	12,017,616	5,696,687
Deferred Inflows	2,488,668	-	140,611	-	2,629,279	-
Net Position:						
Net Investment in Capital	42,524,177	42,533,566	7,043,345	6,151,141	49,567,522	48,684,707
Restricted	8,324,884	7,952,067	-	-	8,324,884	7,952,067
Unrestricted	20,284,890	27,524,775	1,668,520	2,540,641	21,953,410	30,065,416
Total Net Position	\$ 71,133,951	\$ 78,010,408	\$ 8,711,865	\$ 8,691,782	\$ 79,845,816	\$ 86,702,190

Just over half of the City's net position (62%) reflects investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

An additional portion of the City's net position, **\$8,324,884** (10%) represents resources that are subject to external restrictions on how they may be used for example the Housing Authority funds, 2010 Bond Funds, Transnet, Gas Tax and the Parks Maintenance fund. The remaining balance of **\$21,953,410** (27%) is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.



The City’s overall net position declined by **\$6,856,374** compared with the prior fiscal year. This decrease is primarily due to the new GASB reporting requirement of the Net Pension Liability not previously reported on the financial statements. This liability is reported at the Citywide level and is not reported to the individual funds. This is not a new liability; it simply was not reported in prior years.

Governmental Activities. During the current fiscal year, net position for governmental activities declined by **\$6,876,457** from the prior fiscal year for with an ending balance of **\$71,133,951**. As stated earlier, this decline is solely due to the new GASB reporting requirement of the Net Pension Liability. After removing the new GASB reporting requirement the net position for government activities increased by **\$805,269**.

CITY OF IMPERIAL BEACH; Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
REVENUE						
Program Revenue						
Charges for Services	\$ 1,974,245	\$ 2,111,942	\$ 4,160,676	\$ 4,129,946	\$ 6,134,921	\$ 6,241,888
Operating and Grants	6,114,525	5,403,493	-	-	6,114,525	5,403,493
Capital and Grants	2,192,390	1,971,701	-	-	2,192,390	1,971,701
General Revenue						
Property Tax	4,407,312	4,594,215	-	-	4,407,312	4,594,215
Other tax	7,084,445	6,799,341	-	-	7,084,445	6,799,341
Other	-	-	171,395	32,691	171,395	32,691
Total Revenue	21,772,917	20,880,692	4,332,071	4,162,637	26,104,988	25,043,329
EXPENSE						
General Government	4,045,386	3,680,695	-	-	4,045,386	3,680,695
Public Safety	11,493,533	10,520,799	-	-	11,493,533	10,520,799
Public Works	3,363,698	2,875,724	-	-	3,363,698	2,875,724
Community development	274,122	613,085	-	-	274,122	613,085
Sanitation	-	-	3,889,098	4,053,964	3,889,098	4,053,964
Culture and Recreation	1,790,909	1,821,723	-	-	1,790,909	1,821,723
Interest on Debt	-	-	-	-	-	-
Total Expense	20,967,648	19,512,026	3,889,098	4,053,964	24,856,746	23,565,990
Restatement of Net Position	(7,681,726)	(2,539)	(422,890)	-	(8,104,616)	(2,539)
Increase in net position	(6,876,457)	1,366,127	20,083	108,673	(6,856,374)	1,474,800
Net position beginning	78,010,408	76,644,281	8,691,782	8,583,109	86,702,190	85,227,390
Net position ending	\$ 71,133,951	\$ 78,010,408	\$ 8,711,865	\$ 8,691,782	\$ 79,845,816	\$ 86,702,190

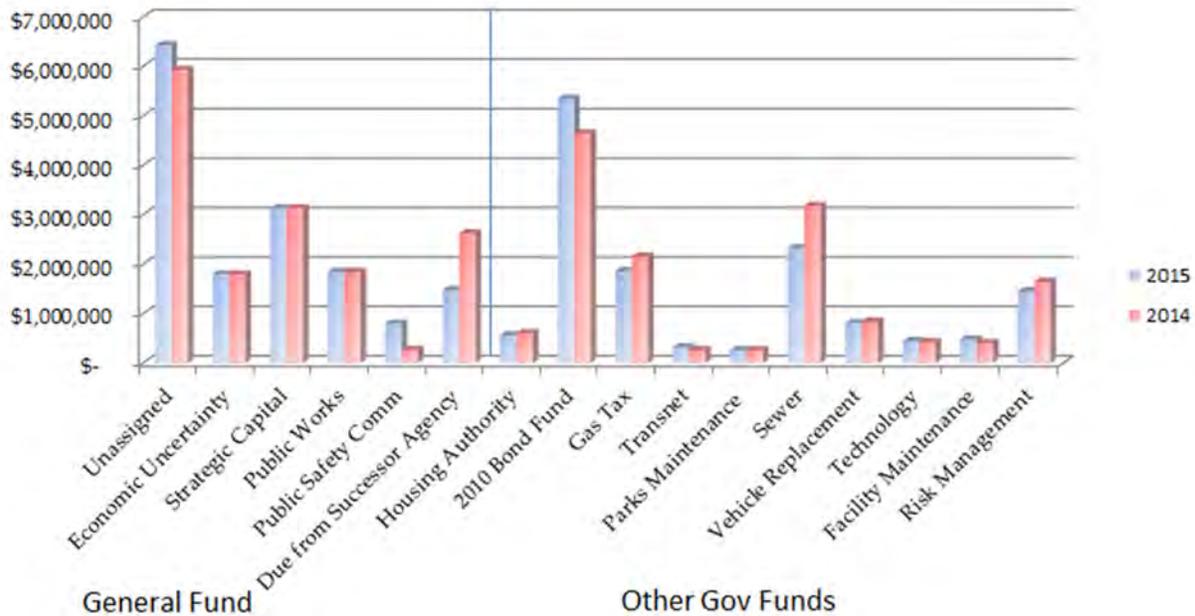
Business-type Activities. For the City's business-type activities, the results for the current fiscal year were positive. The overall net position increased slightly reaching an ending balance of **\$8,711,865**. The total increase in net position for business-type activities (sewer fund) was \$108,673 or 1% from the prior fiscal year.

Financial Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

The City's governmental funds reported combined fund balances of **\$23,792,421**. Approximately 27% of this amount (\$6,390,991) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form (\$1,495,065), 2) restricted for particular purposes (\$8,324,884), 3) committed for particular purposes (\$5,733,293), or 4) assigned for particular purposes (\$1,848,188).



The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,430,692, an increase of \$499,693. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately thirty-five percent (35%) of total general fund expenditures, while total fund balance represents approximately eighty-four percent (84%) of that same amount.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net position of the Sewer Fund at the end of the year was \$9,370,925. The total increase in net position was \$36,975. The unrestricted fund balance is \$2,327,580 (excluding Net Pension Liability).

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations. However, there was a need to make an amendment to reallocate appropriations among departments when it became clearer which departments would actually be charged for certain employee benefits such as pensions and other postemployment benefits. Generally, the movement of the appropriations between departments was *not* significant.

Final budget compared to actual results. The differences between estimated and actual revenues (resources) and expenses (outflows) for the General Fund were as follows:

	Final Budget	Actual Amount	Variance Positive (Negative)
Resources (Inflows)			
Taxes	\$ 8,566,575	\$ 8,670,573	\$ 103,998
Licenses and Permits	536,100	586,600	50,500
Intergovernmental	419,603	544,505	124,902
Charges for Services	7,309,029	7,243,548	(65,481)
Use of Money and Property	457,000	421,139	(35,861)
Fines and Foreitures	149,500	143,437	(6,063)
Miscellaneous	265,000	137,280	(127,720)
Transfers	884,065	797,400	(86,665)
	\$ 18,586,872	\$ 18,544,482	\$ (42,390)
Charges (Outflows)			
General Government	\$ 3,353,694	\$ 3,161,188	\$ 192,506
Public Safety	11,452,127	11,352,256	99,871
Parks and Recreation	1,537,692	1,511,661	26,031
Public Works	2,291,398	2,188,370	103,028
Capital Outlay	150,783	178,286	(27,503)
Transfers Out	229,245	254,247	(25,002)
	\$ 19,014,939	\$ 18,646,008	\$ 368,931

There wasn't any significant variance from budget in Total Revenue. The amount collected in taxes, License and Permits, and Intergovernmental were slightly over budget. The remaining categories came in slightly below budget and offset one-another.

The favorable variance in outflows is primarily due to a conservative spending budget and strict fiscal control. However, it should be noted that the budgeted expenditures exceeded budgeted revenue. Therefore, the positive expenditure variance resulted in a General Fund Net Revenue of (\$101,526). However, this includes a \$229,245 transfer to the Housing Authority required by law as part of the Successor Agency loan repayment.

Capital Assets and Debt Administration

Capital assets. The City's net investment in capital assets for its governmental and business-type activities amounts to **\$49,567,522** (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and the sewer system. The total increase in capital assets for the current fiscal year was \$882,815.

City of Imperial Beach; Capital Assets (net of depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,638,532	\$ 1,638,532	\$ -	\$ -	\$ 1,638,532	\$ 1,638,532
Right of Way	12,406,327	12,406,327	-	-	12,406,327	12,406,327
Construction in Progress	1,704,822	4,213,937	1,176,206	826,591	2,881,028	5,040,528
Structures	4,103,634	4,356,788	-	-	4,103,634	4,356,788
Equipment and Vehicles	1,460,285	1,508,346	-	-	1,460,285	1,508,346
Infrastrucutre	21,210,577	18,409,636	-	-	21,210,577	18,409,636
Sewer System	-	-	5,867,139	5,324,550	5,867,139	5,324,550
	\$ 42,524,177	\$ 42,533,566	\$ 7,043,345	\$ 6,151,141	\$ 49,567,522	\$ 48,684,707

Long-term Debt. At the end of the current fiscal year, City did not have any outstanding debt. The City does recognize other long term liabilities (listed below).

The Successor Agency of the former RDA, which is a legally separate agency had outstanding long term debt totaling \$38,112,735 at the end of the fiscal year. In addition, the Successor Agency has a loan due to the City in the amount of \$1,476,661.

City of Imperial Beach; Long-term liabilities

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
Other Post Employment Benefits	\$ 142,294	\$ 127,108	\$ -	\$ -	\$ 142,294	\$ 127,108
Net Pension Liability ¹	5,876,009	-	318,116	-	6,194,125	-
Compensated Absences	810,013	777,688	63,493	62,167	873,506	839,855
Claims & Judgments	1,534,387	1,597,174	-	-	1,534,387	1,597,174
	\$ 8,362,703	\$ 2,501,970	\$ 381,609	\$ 62,167	\$ 8,744,312	\$ 2,564,137

Note: (1) Net Pension Liability not reported in 2014. This is a new GASB requirement.

The City's total long-term liabilities increased by \$6,180,175, primarily due to the new GASB reporting requirement of the Net Pension Liability.

Requests for Information

This financial report is designed to provide a general overview of the City's financials for all those with an interest in the government's fiscal health. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Imperial Beach, Office of the Finance Director, 825 Imperial Beach Blvd., Imperial Beach, CA 91932. Or visit www.imperialbeachca.gov

CITY OF IMPERIAL BEACH

STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 27,788,520	\$ 2,833,593	\$ 30,622,113
Receivables:			
Accounts	886,869	10,483	897,352
Notes and loans	8,995,159	-	8,995,159
Internal balances	659,060	(659,060)	-
Prepaid costs	17,063	-	17,063
Due from other governments	1,799,861	164,908	1,964,769
Inventories	1,341	-	1,341
Restricted assets:			
Cash and investments	50,696	-	50,696
Due from Successor Agency	1,476,661	-	1,476,661
Capital assets not being depreciated	15,749,681	1,176,206	16,925,887
Capital assets, net of depreciation	26,774,496	5,867,139	32,641,635
Total Assets	84,199,407	9,393,269	93,592,676
Deferred Outflows of Resources:			
Deferred pension related items	859,438	40,597	900,035
Total Deferred Outflows of Resources	859,438	40,597	900,035
Liabilities:			
Accounts payable	1,674,804	177,104	1,851,908
Accrued liabilities	573,038	22,677	595,715
Unearned revenue	480,529	-	480,529
Deposits payable	345,152	-	345,152
Noncurrent liabilities:			
OPEB Obligation	142,294	-	142,294
Net Pension Liability	5,876,009	318,116	6,194,125
Due within one year	957,740	15,803	973,543
Due in more than one year	1,386,660	47,690	1,434,350
Total Liabilities	11,436,226	581,390	12,017,616
Deferred Inflows of Resources:			
Deferred pension related items	2,488,668	140,611	2,629,279
Total Deferred Inflows of Resources	2,488,668	140,611	2,629,279
Net Position:			
Investment in capital assets	42,524,177	7,043,345	49,567,522
Restricted for:			
Community development projects	5,917,837	-	5,917,837
Public safety	25,994	-	25,994
Parks and recreation	267,760	-	267,760
Public works	2,113,293	-	2,113,293
Unrestricted	20,284,890	1,668,520	21,953,410
Total Net Position	\$ 71,133,951	\$ 8,711,865	\$ 79,845,816

CITY OF IMPERIAL BEACH

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Program Revenues			
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 4,045,386	\$ 613,600	\$ 87,890	\$ -
Public safety	11,493,533	625,293	4,515,507	-
Community development	274,122	-	1,274,584	-
Parks, recreation and senior center	1,790,909	51,835	-	-
Public works	3,363,698	683,517	236,544	2,192,390
Total Governmental Activities	20,967,648	1,974,245	6,114,525	2,192,390
Business-Type Activities:				
Sewer	3,889,098	4,160,676	-	-
Total Business-Type Activities	3,889,098	4,160,676	-	-
Total Primary Government	\$ 24,856,746	\$ 6,134,921	\$ 6,114,525	\$ 2,192,390

General Revenues:

Taxes:

- Property taxes, levied for general purpose
- Transient occupancy taxes
- Sales taxes
- Franchise taxes
- Business licenses taxes
- Utility users tax
- Motor vehicle in lieu - unrestricted
- Use of money and property
- Other

Total General Revenues

Change in Net Position

Net Position at Beginning of Year, as previously stated

Restatement of Net Position

Net Position at Beginning of Year, as restated

Net Position at End of Year

**Net (Expenses) Revenues and Changes in Net
Position**

Primary Government

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (3,343,896)	\$ -	\$ (3,343,896)
(6,352,733)	-	(6,352,733)
1,000,462	-	1,000,462
(1,739,074)	-	(1,739,074)
(251,247)	-	(251,247)
(10,686,488)	-	(10,686,488)
-	271,578	271,578
-	271,578	271,578
(10,686,488)	271,578	(10,414,910)
4,407,312	-	4,407,312
639,983	-	639,983
1,704,968	-	1,704,968
1,927,792	-	1,927,792
376,104	-	376,104
1,337,508	-	1,337,508
11,753	-	11,753
949,057	16,814	965,871
137,280	154,581	291,861
11,491,757	171,395	11,663,152
805,269	442,973	1,248,242
78,010,408	8,691,782	86,702,190
(7,681,726)	(422,890)	(8,104,616)
70,328,682	8,268,892	78,597,574
\$ 71,133,951	\$ 8,711,865	\$ 79,845,816

CITY OF IMPERIAL BEACH

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General</u>	<u>Special Revenue Fund Housing Authority</u>	<u>Capital Projects Fund C.I.P. 2010 Bond</u>
Assets:			
Pooled cash and investments	\$ 14,535,963	\$ 522,369	\$ 5,367,397
Receivables:			
Accounts	886,869	-	-
Notes and loans	-	8,995,159	-
Prepaid costs	17,063	-	-
Due from other governments	1,567,529	-	-
Due from other funds	183,594	-	-
Inventories	1,341	-	-
Restricted assets:			
Cash and investments	-	50,696	-
Due from Successor Agency	1,476,661	-	-
Total Assets	<u>\$ 18,669,020</u>	<u>\$ 9,568,224</u>	<u>\$ 5,367,397</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ 1,443,718	\$ 743	\$ 18,776
Accrued liabilities	517,498	2,841	265
Unearned revenues	480,529	-	-
Deposits payable	345,152	-	-
Due to other funds	-	-	-
Total Liabilities	<u>2,786,897</u>	<u>3,584</u>	<u>19,041</u>
Deferred Inflows of Resources:			
Unavailable revenues	374,885	8,995,159	-
Total Deferred Inflows of Resources	<u>374,885</u>	<u>8,995,159</u>	<u>-</u>
Fund Balances:			
Nonspendable:			
Inventory	1,341	-	-
Prepaid costs	17,063	-	-
Due from Successor Agency	1,476,661	-	-
Restricted for:			
Community development projects	-	569,481	5,348,356
Public safety	-	-	-
Parks and recreation	-	-	-
Public works	-	-	-
Committed to:			
Community development projects	3,705	-	-
Economic Uncertainty Reserve	1,800,000	-	-
Strategic Capital Reserve	3,129,588	-	-
Regional Communication System	800,000	-	-
Assigned to:			
Public works	1,848,188	-	-
Unassigned	<u>6,430,692</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>15,507,238</u>	<u>569,481</u>	<u>5,348,356</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 18,669,020</u>	<u>\$ 9,568,224</u>	<u>\$ 5,367,397</u>

CITY OF IMPERIAL BEACH

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	Other Governmental Funds	Total Governmental Funds
Assets:		
Pooled cash and investments	\$ 2,438,880	\$ 22,864,609
Receivables:		
Accounts	-	886,869
Notes and loans	-	8,995,159
Prepaid costs	-	17,063
Due from other governments	211,431	1,778,960
Due from other funds	-	183,594
Inventories	-	1,341
Restricted assets:		
Cash and investments	-	50,696
Due from Successor Agency	-	1,476,661
Total Assets	\$ 2,650,311	\$ 36,254,952
Liabilities, Deferred Inflows of Resources, and Fund Balances:		
Liabilities:		
Accounts payable	\$ 95,396	\$ 1,558,633
Accrued liabilities	3,975	524,579
Unearned revenues	-	480,529
Deposits payable	-	345,152
Due to other funds	183,594	183,594
Total Liabilities	282,965	3,092,487
Deferred Inflows of Resources:		
Unavailable revenues	-	9,370,044
Total Deferred Inflows of Resources	-	9,370,044
Fund Balances:		
Nonspendable:		
Inventory	-	1,341
Prepaid costs	-	17,063
Due from Successor Agency	-	1,476,661
Restricted for:		
Community development projects	-	5,917,837
Public safety	25,994	25,994
Parks and recreation	267,760	267,760
Public works	2,113,293	2,113,293
Committed to:		
Community development projects	-	3,705
Economic Uncertainty Reserve	-	1,800,000
Strategic Capital Reserve	-	3,129,588
Regional Communication System	-	800,000
Assigned to:		
Public works	-	1,848,188
Unassigned	(39,701)	6,390,991
Total Fund Balances	2,367,346	23,792,421
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,650,311	\$ 36,254,952

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CITY OF IMPERIAL BEACH

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Fund balances of governmental funds	\$ 23,792,421
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	41,242,031
Long-term debt, Net Pension Liability, and compensated absences that have not been included in the governmental fund activity:	
Net Pension Liability	(5,522,545)
Compensated Absences	(748,443)
Deferred Outflows of Resources:	
Adjustment due to differences in proportions	134,654
Pension contribution subsequent to measurement date	679,676
Deferred Inflows of Resources:	
Net Difference between projected and actual earnings on pension plan investments	(2,063,933)
Adjustment due to differences in proportions	(34,037)
Unamortized difference between employer contribution and the plans proportionate share of aggregate employer contributions	(234,464)
Governmental funds report all OPEB contributions as expenditures, however in the statement of net position any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability.	(142,294)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.	9,370,044
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.	4,660,841
Net Position of governmental activities	<u>\$ 71,133,951</u>

CITY OF IMPERIAL BEACH

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015**

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>
		<u>Housing Authority</u>	<u>C.I.P. 2010 Bond</u>
Revenues:			
Taxes	\$ 8,670,573	\$ -	\$ -
Assessments	-	-	-
Licenses and permits	586,600	-	-
Intergovernmental	544,505	-	-
Charges for services	7,243,548	-	-
Use of money and property	421,139	3,436	31,305
Fines and forfeitures	143,437	-	-
Contributions from Successor Agency	-	-	1,274,584
Miscellaneous	137,280	-	-
Total Revenues	17,747,082	3,436	1,305,889
Expenditures:			
Current:			
General government	3,161,188	-	62,300
Public safety	11,352,256	-	-
Community development	-	274,122	-
Parks and recreation	1,511,661	-	-
Public works	2,188,370	-	-
Capital outlay	178,286	-	542,654
Total Expenditures	18,391,761	274,122	604,954
Excess (Deficiency) of Revenues Over (Under) Expenditures	(644,679)	(270,686)	700,935
Other Financing Sources (Uses):			
Transfers in	797,400	246,114	-
Transfers out	(254,247)	(16,869)	-
Total Other Financing Sources (Uses)	543,153	229,245	-
Net Change in Fund Balances	(101,526)	(41,441)	700,935
Fund Balances, Beginning of Year	15,608,764	610,922	4,647,421
Fund Balances, End of Year	\$ 15,507,238	\$ 569,481	\$ 5,348,356

CITY OF IMPERIAL BEACH

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015**

	Other Governmental Funds	Total Governmental Funds
Revenues:		
Taxes	\$ -	\$ 8,670,573
Assessments	10,996	10,996
Licenses and permits	-	586,600
Intergovernmental	2,083,662	2,628,167
Charges for services	67,569	7,311,117
Use of money and property	17,965	473,845
Fines and forfeitures	-	143,437
Contributions from Successor Agency	-	1,274,584
Miscellaneous	-	137,280
Total Revenues	2,180,192	21,236,599
Expenditures:		
Current:		
General government	728,669	3,952,157
Public safety	100,020	11,452,276
Community development	-	274,122
Parks and recreation	27,506	1,539,167
Public works	30,262	2,218,632
Capital outlay	789,525	1,510,465
Total Expenditures	1,675,982	20,946,819
Excess (Deficiency) of Revenues Over (Under) Expenditures	504,210	289,780
Other Financing Sources (Uses):		
Transfers in	286,433	1,329,947
Transfers out	(1,058,831)	(1,329,947)
Total Other Financing Sources (Uses)	(772,398)	-
Net Change in Fund Balances	(268,188)	289,780
Fund Balances, Beginning of Year	2,635,534	23,502,641
Fund Balances, End of Year	\$ 2,367,346	\$ 23,792,421

CITY OF IMPERIAL BEACH

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

Net change in fund balances - total governmental funds \$ 289,780

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 1,373,130	
Depreciation	<u>(1,384,235)</u>	(11,105)

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (24,332)

Annual required contributions to pension obligations require the use of current financial resources and, therefore, are not reported as expenses in governmental Statement of Activities. However, in the statement of activities only pension expense as a result in the change in the Net Pension Liability is recorded. 171,199

Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the statement of activities only the ARC is an expense. (15,186)

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. 504,713

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities. (109,800)

Change in net position of governmental activities \$ 805,269

CITY OF IMPERIAL BEACH

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2015

	Enterprise Fund	Governmental Activities- Internal Service Funds
	Sewer	
Assets:		
Current:		
Cash and investments	\$ 2,833,593	\$ 4,923,911
Receivables:		
Accounts	10,483	-
Due from other governments	164,908	20,901
Total Current Assets	3,008,984	4,944,812
Noncurrent:		
Capital assets not being depreciated	1,176,206	-
Capital assets - net of accumulated depreciation	5,867,139	1,282,146
Total Noncurrent Assets	7,043,345	1,282,146
Total Assets	10,052,329	6,226,958
Deferred Outflows of Resources:		
Deferred pension related items	40,597	45,108
Total Deferred Outflows of Resources	40,597	45,108
Liabilities:		
Current:		
Accounts payable	177,104	116,171
Accrued liabilities	22,677	48,459
Accrued compensated absences	15,803	28,837
Accrued claims and judgments	-	717,929
Total Current Liabilities	215,584	911,396
Noncurrent:		
Net pension liability	318,116	353,464
Accrued compensated absences	47,690	32,733
Accrued claims and judgments	-	816,458
Total Noncurrent Liabilities	365,806	1,202,655
Total Liabilities	581,390	2,114,051
Deferred Inflows of Resources:		
Deferred pension related items	140,611	156,234
Total Deferred Inflows of Resources	140,611	156,234
Net Position:		
Investment in capital assets	7,043,345	1,282,146
Unrestricted	2,327,580	2,719,635
Total Net Position	\$ 9,370,925	\$ 4,001,781
Reconciliation of Net Position to the Statement of Net Position		
Net Position per Statement of Net Position - Proprietary Funds	\$ 9,370,925	
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds	(642,168)	
Current years' adjustments to reflect the consolidation of internal service activities related to enterprise funds	(16,892)	
Net Position per Statement of Net Position	\$ 8,711,865	

CITY OF IMPERIAL BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Enterprise Fund	Governmental Activities- Internal Service Funds
	Sewer	
Operating Revenues:		
Sales and service charges	\$ 4,160,676	\$ 1,556,400
Miscellaneous	154,581	237,579
Total Operating Revenues	4,315,257	1,793,979
Operating Expenses:		
Source of supply	3,240,681	1,017,268
Claims expense	-	28,406
Depreciation expense	204,928	241,441
Personnel and Administrative	426,597	654,256
Total Operating Expenses	3,872,206	1,941,371
Operating Gain (Loss)	443,051	(147,392)
Nonoperating Revenues:		
Interest revenue	16,814	31,605
Loss on disposal of capital asset	-	(10,905)
Total Nonoperating Revenues (Expenses)	16,814	20,700
Changes in Net Position	459,865	(126,692)
Net Position:		
Beginning of Year, as previously reported	9,333,950	4,598,351
Restatements	(422,890)	(469,878)
Beginning of Fiscal Year, as restated	8,911,060	4,128,473
End of Fiscal Year	\$ 9,370,925	\$ 4,001,781
Reconciliation of Changes in Net Position to the Statement of Activities:		
Changes in Net Position, per the Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	\$ 459,865	
Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds	(16,892)	
Changes in Net Position of Business-Type Activities per Statement of Activities	\$ 442,973	

CITY OF IMPERIAL BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2015

	Enterprise Fund	Governmental Activities- Internal Service Funds
	Sewer	
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 4,306,226	\$ -
Cash received from/(paid to) interfund service provided	-	1,798,193
Cash paid to suppliers for goods and services	(3,115,373)	(1,109,278)
Cash paid to employees for services	(428,182)	(549,771)
Net Cash Provided by Operating Activities	762,671	139,144
Cash Flows from Non-Capital Financing Activities:		
Advance from other funds	(187,216)	-
Net Cash Provided by Non-Capital Financing Activities	(187,216)	-
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(1,097,132)	(254,062)
Net Cash Used in Capital and Related Financing Activities	(1,097,132)	(254,062)
Cash Flows from Investing Activities:		
Interest received	16,814	31,605
Net Cash Provided by Investing Activities	16,814	31,605
Net Increase (Decrease) in Cash and Cash Equivalents	(504,863)	(83,313)
Cash and Cash Equivalents at Beginning of Year	3,338,456	5,007,224
Cash and Cash Equivalents at End of Year	\$ 2,833,593	\$ 4,923,911
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating loss	\$ 443,051	\$ (147,392)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	204,928	241,441
(Increase) decrease in accounts receivable	(9,421)	-
(Increase) decrease in due from other governments	390	4,214
Increase (decrease) in accounts payable	125,308	86,814
Increase (decrease) in accrued liabilities	1,849	-
Increase (decrease) in deposits payable	-	14,149
Increase (decrease) in claims and judgments	-	(62,787)
Increase (decrease) in salaries and benefits payable	(3,434)	2,705
Total Adjustments	319,620	286,536
Net Cash Provided (Used) by Operating Activities	\$ 762,671	\$ 139,144

CITY OF IMPERIAL BEACH

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2015

	<u>Agency Funds</u>	<u>Private- Purpose Trust Fund Successor Agency of the Former RDA</u>
Assets:		
Pooled cash and investments	\$ 390,452	\$ 1,179,341
Land held for resale	-	17,048,281
Restricted assets:		
Cash and investments with fiscal agents	-	2,835,565
Total Assets	<u>\$ 390,452</u>	<u>21,063,187</u>
Liabilities:		
Accounts payable	\$ -	17,103
Accrued liabilities	-	29
Accrued interest	-	152,044
Due to bondholders	390,452	-
Due to City	-	1,476,661
Long-term liabilities:		
Due in one year	-	245,000
Due in more than one year	-	37,858,621
Total Liabilities	<u>\$ 390,452</u>	<u>39,749,458</u>
Net Position:		
Held in trust for other purposes		(18,686,271)
Total Net Position		<u>\$ (18,686,271)</u>

CITY OF IMPERIAL BEACH

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2015

	<u>Private- Purpose Trust Fund Successor Agency of the Former RDA</u>
Additions:	
Taxes	\$ 3,650,680
Interest and change in fair value of investments	13,991
Miscellaneous	<u>8</u>
Total Additions	<u>3,664,679</u>
Deductions:	
Project Costs	139,922
Administrative expenses	161,207
Contractual services	1,381,231
Interest expense	<u>1,821,673</u>
Total Deductions	<u>3,504,033</u>
Changes in Net Position	160,646
Net Position - Beginning of the Year	<u>(18,846,917)</u>
Net Position - End of the Year	<u>\$ (18,686,271)</u>

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I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The City of Imperial Beach, California (the City), was incorporated July 18, 1956, and operates as a General Law City. The City operates under a Council/Manager form of government and provides the following services: general government, fire, highways and streets, planning and zoning, and public improvements. Police services are contracted through the County of San Diego Sheriff's Department. The City is not subject to federal or state income taxes.

As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. These entities are legally separate from each other. However, the City's elected officials have a continuing full or partial accountability for fiscal matters of the other entities. The financial reporting entity consists of: 1) the City, 2) organizations for which the City is financially accountable, and 3) organizations for which the nature and significance of their relationship with the City are such that exclusions would cause the City's financial statements to be misleading or incomplete.

An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation, component units' balances and transactions are reported in a manner similar to the balances and transactions of the City. Component units are presented on a blended basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City. A description of these component units and the method of incorporating their financial information in the accompanying financial statements are summarized as follows:

Blended Component Units

Imperial Beach Public Financing Authority

The Imperial Beach Public Financing Authority was established on November 20, 2003, by a joint exercise of powers agreement between the City of Imperial Beach and the former Imperial Beach Redevelopment Agency pursuant to the Community Redevelopment Law (commencing with Section 33000) of the Health and Safety Code of the State of California. Separate financial statements are not prepared for the Authority.

Imperial Beach Housing Authority

The Imperial Beach Housing Authority was established on January 14, 2011, by Council resolution to transact business and exercise powers in the City of Imperial Beach and to accept any appropriate funds from the former Imperial Beach Redevelopment Agency. The Authority also acts as the Housing Successor Agency.

Note 1: Summary of Significant Accounting Policies (Continued)

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its blended component units. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The private-purpose trust funds are reported using the economic resources management focus and the full accrual basis of accounting.

Note 1: Summary of Significant Accounting Policies (Continued)

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

All proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Their revenues are recognized when they are earned and become measurable; expenses are recognized when they are incurred. Unbilled service receivables are recorded as accounts receivable and as revenue when earned.

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.
- The Housing Authority Fund accounts for the transactions of the City's Housing Authority which was established to for the development of low and moderate income housing within the City.
- The C.I.P. 2010 Bond Capital Projects Fund accounts for projects funded with the proceeds of the 2010 Tax Allocation Bonds.

The City reports the following major proprietary fund:

- The Sewer Fund is an Enterprise Fund that accounts for the revenues and expenses associated with providing wastewater treatment services to residents of the City.

Additionally, the City reports the following fund types:

- Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.
- Capital Projects Funds account for the financial resources to be used for the capital improvement projects of the City.
- Internal Service Funds account for the financing of goods or services related to repair, replacement and maintenance of City-owned equipment, the City's self-insurance programs, the City's general information systems and telecommunications hardware, software and the repair, replacement and maintenance of City-owned facilities. These services are provided to other departments or agencies of the City on a cost reimbursement basis.

Note 1: Summary of Significant Accounting Policies (Continued)

- The Private Purpose Trust Fund accounts for the assets and liabilities of the former redevelopment agency and is allocated revenue to pay estimated installment payments of enforceable obligations until obligations of the former redevelopment agency are paid in full and assets have been liquidated.
- Agency Funds are used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. They do not involve measurement of results of operations. The City's agency funds account for its special assessment districts.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds and of the Internal Service Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds and Internal Service Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

d. Assets, Liabilities and Net Position or Equity

Cash and Investments

For purposes of the statement of cash flows, the City considers cash and cash equivalents to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For cash flow purposes, cash and cash equivalents are shown as both restricted and unrestricted cash and investments in the Proprietary Funds.

Investments for the City, as well as for its blended component units, are reported at fair value. The City's policy is generally to hold investments until maturity or until market values equal or exceed cost. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Note 1: Summary of Significant Accounting Policies (Continued)

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Functional Classifications

Expenditures of the Governmental Funds are classified by function. Functional classifications are defined as follows:

- General Government includes legislative activities that have a primary objective of providing legal and policy guidelines for the City. Also included in this classification are those activities that provide management or support services across more than one functional area.
- Public Safety includes those activities that involve the protection of people and property.
- Parks, Recreation and Senior Center include those activities that involve community park maintenance and recreational activities within the community.
- Public Works includes those activities that involve the maintenance and improvement of City streets, roads and park department development and maintenance.
- Capital outlay includes those activities that account for the purchase of fixed and capital assets.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. The General Fund inventory is accounted for on the consumption method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the City has reported general infrastructure assets acquired in prior and current years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 1: Summary of Significant Accounting Policies (Continued)

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & Improvements	25 - 50
Improvements Other than Buildings	10 - 50
Sewer lines and Pump Stations	35 - 50
Equipment	3 - 20
Vehicles	5 - 10
<u>Infrastructure</u>	<u>Years</u>
Pavement	33
Curb and Gutter	50
Sidewalk	50

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63 *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,”* and GASB Statement No. 65 *“Items Previously Reported as Assets and Liabilities”* the City recognizes deferred outflows and inflows of resources.

In addition to assets, the statements’ of net position and governmental fund balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has one item which qualify for reporting in this category; please refer to Note 6 for a detailed listing of the deferred outflows of resources the City has recognized.

In addition to liabilities, the statements’ of net position and governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items which qualify for reporting in this category; please refer to Note 6 for a detailed listing of the deferred inflows of resources the City has recognized.

Compensated Absences

All permanent employees of the City are permitted to accumulate a maximum of two times their annual accrual rate (annual leave). Maximum sick leave accrual for miscellaneous employees is 1,000 hours and for safety employees is 1,400 hours. Upon termination of employment, an employee is paid for accumulated annual leave but forfeits accumulated sick leave unless the employee has over five years of service. After five years of service, upon termination, the employee is paid for half the accumulated sick leave. Compensated absences are paid out of the General Fund and are reported there as a liability when they have matured.

Note 1: Summary of Significant Accounting Policies (Continued)

Accumulated vested sick pay and vacation pay for employees of the Proprietary Funds have been accrued. All accumulated compensated absences are accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Equity

In the fund financial statements, government funds report the following fund balance classification:

Nonspendable includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted includes amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a City Council resolution.

Assigned includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Resolution No. 2011-7039 authorizes the City Manager to assign amounts to a specific purpose.

Unassigned includes the residual amounts that have not been restricted, committed, or assigned to specific purposes.

An individual governmental fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted amounts are to be considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and committed, assigned, and then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. The City uses a modified encumbrance system in which only significant, select encumbrances are carried over at year-end. All other encumbrances lapse at year-end and are re-encumbered in the following fiscal year.

Property Tax Revenue

Property tax revenue is recognized on the basis of NCGA Interpretation No. 3; (adopted by GASB) that is, in the fiscal year for which the taxes have been levied providing they become available. Available means then due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of San Diego collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in January preceding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent, if unpaid, on August 31.

Effect of New Accounting Standards

During the fiscal year ended June 30, 2015, the City implemented the following GASB standards:

GASB Statement No. 68 – *Accounting and financial Reporting for Pensions—an Amendment of GASB Statement No. 27* will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information. The requirements of this statement are retroactive and effective for financial statements for periods beginning after June 15, 2014.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 1: Summary of Significant Accounting Policies (Continued)

The City has fully implemented this standard, which resulted in restated Net Positions' as of June 30, 2014. Please refer to Note 15 regarding the restatement.

GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of GASB Statement No. 71 are effective for financial statements beginning after June 15, 2014.

II. DETAILED NOTES ON ALL FUNDS

Note 2: Cash and Investments

As of June 30, 2015, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 27,839,216
Business-Type activities	2,833,593
Fiduciary funds	<u>4,405,358</u>
Total Cash and Investments	<u>\$ 35,078,167</u>

The City follows the practice of pooling cash and investments of all funds except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on monthly cash and investment balances. Interest Income from cash and investments with fiscal agents is credited directly to the related fund.

Deposits

At June 30, 2015, the carrying amount of the City's deposits was \$4,128,574 and the bank balance was \$4,146,290. The \$17,716 difference represents outstanding checks and other reconciling items.

Note 2: Cash and Investments (Continued)

The California Government Code requires California banks and savings and loan associations to secure a city's deposits by pledging government securities with a value of 110% of a city's deposits. California law also allows financial institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150% of a city's total deposits. The City Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local government agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

Investments

Under provisions of the City's investment policy, and in accordance with the California Government Code, the following investments are authorized:

- U.S. Treasury Obligations (bills, notes and bonds)
- Bonds, notes or other evidence of indebtedness issued or guaranteed by agency of the United States government
- Certificates of Deposit or Time Deposits placed with commercial banks and savings and loans
- Medium-term Corporate Notes with an "A" or comparable ratings
- Instruments of other California Government Entities with an "A" or comparable rating
- Banker's Acceptances
- Repurchase Agreements
- Local Agency Investment Fund Demand Deposits (State Pool)
- County of San Diego Treasury (County Pool)
- California Arbitrage Management Program (Bond Pool)
- Passbook Savings Account Demand Deposits
- Money Market funds, which invest solely in securities issued by the U.S. Treasury and agencies of the Federal government, and repurchase agreements collateralized with U.S. Treasury and Federal agency obligations
- Overnight Sweep accounts as managed by the depository bank as part of the checking account packaged contracted by the City, provided the sweep account is collateralized in accordance with state law

Investments Authorized by Debt Agreements

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

Note 2: Cash and Investments (Continued)

Investments in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

GASB Statement No. 31

The City adopted GASB Statement of No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

Credit Risk

The City's investment policy limits investments in medium-term notes (MTN's) to those rated "AA" or higher by Standard and Poor's (S&P) or by Moody's. As of June 30, 2015, the City's investment in Medium-Term Corporate Notes were all rated AA or better by Moody's and S&P. In addition, the City's investments in Federal Home Loan Bank, Federal Farm Credit Bank and Federal Home Loan Mortgage Corporation were rated "AAA" by Moody's and by S&P. All securities were investment grade and were legal under State law. Investments in U.S. Treasuries are not considered to have credit risk; therefore, their credit quality is not disclosed.

The City also invests in LAIF which invests in various underlying securities, including the federal agency securities. While LAIF is not rated, the federal agency securities are, and these have been affected by this rating change as well.

As of June 30, 2015, the City's investments in external investment pools, money market mutual funds and investment agreements are unrated.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a specific policy addressing custodial credit risk. As of June 30, 2015, none of the City's deposits or investments was exposed to custodial credit risk.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 2: Cash and Investments (Continued)

Concentration of Credit Risk

The City's investment policy imposes restrictions for certain types of investments with any one issuer to 25% of the total investment pool. With respect to concentration risk, as of June 30, 2015, the City has not invested more than 25% of its total investments in any one issuer. In addition, GASB 40 requires a separate disclosure if any single issuer comprises more than 5% of the total investment value. As of June 30, 2015, the City has investments with the following issuers, which exceed 5% of the total investment value:

US Treasury Obligations	\$ 5,448,823	18%
JP Morgan Chase Co Medium Term Note	2,030,560	6%
Federal Home Loan Bank	2,307,423	7%
Federal Home Loan Mortgage Corporation	3,697,558	12%
Federal National Mortgage Association	3,023,817	10%
State Pooled Investment (LAIF)	6,325,343	20%

Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

Interest Rate Risk

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy states that the City's investment portfolio will not directly invest in securities maturing in more than five years. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

As of June 30, 2015, the City had the following investments and original maturities:

Investments	Investment Maturities (in Years)			Fair Value
	1 year or less	1 to 3 years	3 to 5 years	
State Pooled Investment (LAIF)	\$ 6,325,343	\$ -	\$ -	\$ 6,325,343
Federal Farm Credit Bank	874,502	185,788	-	1,060,290
Federal Home Loan Bank	1,320,701	986,722	-	2,307,423
Federal Home Loan Mortgage Corp.	500,355	2,209,188	988,015	3,697,558
Federal National Mortgage Assoc.	325,231	2,198,966	499,620	3,023,817
US Treasury Notes	1,000,550	3,442,413	1,005,860	5,448,823
Medium Term Corporate Notes	1,071,044	7,239,808	775,487	9,086,339
	<u>\$ 11,417,726</u>	<u>\$ 16,262,885</u>	<u>\$ 3,268,982</u>	<u>\$ 30,949,593</u>

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 1,638,532	\$ -	\$ -	\$ -	\$ 1,638,532
Infrastructure right-of-way	12,406,327	-	-	-	12,406,327
Construction-in-progress	4,213,937	(3,838,502)	1,329,387	-	1,704,822
Total Capital Assets, Not Being Depreciated	<u>18,258,796</u>	<u>(3,838,502)</u>	<u>1,329,387</u>	<u>-</u>	<u>15,749,681</u>
Capital assets, being depreciated:					
Structures and improvements	8,361,661	166,436	-	-	8,528,097
Equipment and vehicles	5,121,192	-	254,062	452,934	4,922,320
Infrastructure	24,263,371	3,672,066	43,743	-	27,979,180
Total Capital Assets, Being Depreciated	<u>37,746,224</u>	<u>3,838,502</u>	<u>297,805</u>	<u>452,934</u>	<u>41,429,597</u>
Less accumulated depreciation:					
Structures and improvements	4,004,873	-	419,590	-	4,424,463
Equipment and vehicles	3,612,846	-	291,218	442,029	3,462,035
Infrastructure	5,853,735	-	914,868	-	6,768,603
Total Accumulated Depreciation	<u>13,471,454</u>	<u>-</u>	<u>1,625,676</u>	<u>442,029</u>	<u>14,655,101</u>
Total Capital Assets, Being Depreciated, Net	<u>24,274,770</u>	<u>3,838,502</u>	<u>(1,327,871)</u>	<u>10,905</u>	<u>26,774,496</u>
Governmental Activities Capital Assets, Net	<u>\$ 42,533,566</u>	<u>\$ -</u>	<u>\$ 1,516</u>	<u>\$ 10,905</u>	<u>\$ 42,524,177</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 73,970
Public Safety	86,532
Public Works	988,652
Parks, Recreation and Senior Center	235,081
Internal Service Funds	241,441
Total Governmental Activities	<u>\$ 1,625,676</u>

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 3: Capital Assets (Continued)

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Business-Type Activities:					
Capital assets, not being depreciated:					
Construction-in-progress	\$ 826,591	\$ (747,517)	\$ 1,097,132	\$ -	\$ 1,176,206
Total Capital Assets, Not Being Depreciated	826,591	(747,517)	1,097,132	-	1,176,206
Capital assets, being depreciated:					
Sewer Lines and Pump Stations	9,153,665	747,517	-	-	9,901,182
Total Capital Assets, Being Depreciated	9,153,665	747,517	-	-	9,901,182
Less accumulated depreciation:					
Sewer Lines and Pump Stations	3,829,115	-	204,928	-	4,034,043
Total Accumulated Depreciation	3,829,115	-	204,928	-	4,034,043
Total Capital Assets, Being Depreciated, Net	5,324,550	747,517	(204,928)	-	5,867,139
Business-Type Activities Capital Assets, Net	<u>\$ 6,151,141</u>	<u>\$ -</u>	<u>\$ 892,204</u>	<u>\$ -</u>	<u>\$ 7,043,345</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Business-Type Activities:	
Sewer	<u>\$ 204,928</u>

Note 4: Loans Receivable

Loans receivable consist of the following:

South Bay Community Services Loan – Hemlock Ave.

In April 2006, the Agency entered into a loan agreement for an amount not-to-exceed \$540,425 with South Bay Community Services (SBCS) to loan low and moderate income housing set-aside funds to rehabilitate a seven-unit apartment complex located at 1360 Hemlock Avenue. This loan agreement was amended in October 2007, and increased the loan agreement by \$89,183, creating a total not-to-exceed amount of \$629,608. SBCC intends to rent all seven units to families earning 50% or below of the area median income, for a term of fifty-five years.

Beginning May 31, 2006, and continuing through 2061, simple interest accrues at 3% per annum on the principal balance. Monthly principal and interest payments are not required to be paid if the rental and occupancy conditions are met for the property. All principal and accrued interest on the Loan shall be due in full on (i) the date of any transfer not authorized by the Agency; (ii) the date of any Default; or (iii) the expiration of the Loan Term, whichever occurs first. However, upon expiration of the Loan Term, the Loan amount pursuant to the Note and accrued interest shall be forgiven provided all covenants and conditions were met over the Loan Term. Accrued interest at June 30, 2015, amounts to \$159,136 and is offset by unavailable revenue. The loan has not been fully disbursed at June 30, 2015. The outstanding balance at June 30, 2015, is \$788,744, including accrued interest.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 4: Loans Receivable (Continued)

South Bay Community Services Loan – Calla Ave.

In April 2006, the Agency entered into a loan agreement for an amount not-to-exceed \$491,271 with South Bay Community Services (SBCS) to loan low and moderate income housing set-aside funds to rehabilitate an eight-unit apartment complex located at 1260 Calla Avenue. SBCC intends to rent all seven units to families earning 50% or below of the area median income, for a term of fifty-five years. Beginning May 31, 2006, and continuing through 2061, simple interest accrues at 3% per annum on the principal balance. Monthly principal and interest payments are not required to be paid if the rental and occupancy conditions are met for the property. All principal and accrued interest on the Loan shall be due in full on (i) the date of any transfer not authorized by the Agency; (ii) the date of any Default; or (iii) the expiration of the Loan Term, whichever occurs first. However, upon expiration of the Loan Term, the Loan amount pursuant to the Note and accrued interest shall be forgiven provided all covenants and conditions were met over the Loan Term. Accrued interest at June 30, 2015, amounts to \$129,869 and is offset by deferred revenue. The loan has not been fully disbursed at June 30, 2015. The outstanding balance at June 30, 2015, is \$616,324, including accrued interest.

Tax Increment Loan - 12th Street

In August 2008, the Agency entered into a loan agreement for an amount not-to-exceed \$1,945,000 with Beachwind Court, LP to loan low and moderate income housing set-aside funds to rehabilitate a fifteen-unit apartment complex located at 624 12th Street. Beachwind Court, LP intends to rent seven units to families earning 50% or below of the area median income and to rent all seven units to families earning 60% or below of the area median income, for a term of fifty-five years. Beginning on the date of disbursement, simple interest accrues at 3% per annum on the principal balance. Monthly principal and interest payments are required to be paid within 30 days of completion of the annual audit equivalent to 50% of the residual receipts generated by the projects audited records. Accrued interest at June 30, 2015, amounts to \$384,321 and is offset by deferred revenue. The outstanding balance at June 30, 2015, is \$2,329,321, including accrued interest.

American Legion Loan

The Imperial Beach Housing Authority and Hitzke Development Corporation entered into an Affordable Housing Agreement for the development of a mixed-use affordable housing development project and new American Legion Post. The Authority authorized financing for the Project for an amount not to exceed \$4,100,000 to construct thirty (30) units of affordable housing consisting of twenty-nine (29) affordable residential rental units and one manager's unit. Monthly principal and interest payments are required to be paid within 30 days of completion of the annual audit equivalent to 50% of the residual receipts generated by the projects audited records. Accrued interest at June 30, 2015, amounts to \$389,500 and is offset by deferred revenue. The outstanding balance at June 30, 2014, is \$4,489,500, including accrued interest.

Habitat for Humanity, 10th and Donax

The Imperial Beach Housing Authority and the San Diego Habitat for Humanity entered into a note secured by deed of trust agreement, whereas the Housing Authority sold to Habitat for Humanity in exchange for a loan receivable and cash in the amount of \$211,495. The Loan bears 0% and is forgivable upon Habitat's for Humanities timely completion of Affordable Units. Accrued interest at June 30, 2015, amounts to \$16,275. As of June 30, 2015, the loan amount outstanding was \$771,270.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 4: Loans Receivable (Continued)

Total loans receivable at June 30, 2015, amounts to \$8,995,159.

Note 5: Interfund Receivable, Payable and Transfers

The composition of interfund balances as of June 30, 2015, is as follows:

Due To/Due From Other Funds

Funds	Due to Other Funds	
	Non-major Governmental Funds	Total
Due From Other Funds:		
General Fund	\$ 183,594	\$ 183,594
Total	<u>\$ 183,594</u>	<u>\$ 183,594</u>

Due from Successor Agency

In previous fiscal years, the City made loans to the former redevelopment agency; now assumed by the Successor Agency (See Note 13 for further discussion). These loans bear interest at rates up to 12% per annum depending upon when the loan was initiated. The City may demand payment of all or a portion of the principal balance at any time as funds become available; however, such demands are not anticipated with the next fiscal year. As of June 30, 2015, loans made from the General Fund to the former Redevelopment Agency Capital Projects Fund, including accrued unpaid interest owed on those loans, were \$1,476,661.

Interfund Transfers

	Transfers In			Total
	General Fund	Housing Authority	Non-Major Governmental Fund	
Transfers Out:				
General Fund	\$ -	\$ 246,114	\$ 8,133	\$ 254,247
Housing Authority	-	-	16,869	16,869
Nonmajor Govt Funds	797,400	-	261,431	1,058,831
Total	<u>\$ 797,400</u>	<u>\$ 246,114</u>	<u>\$ 286,433</u>	<u>\$ 1,329,947</u>

The City received \$1,146,224 as payment of the City Loan to the Successor Agency as per the Recognized Obligation Payment Schedule 14-15B. As per California Department of Finance regulations, the General Fund transferred 20% of that amount, or \$229,245, to the Housing Successor. Transfers into the General Fund totaling \$797,400, were made from the Gas Tax Fund and Prop A Tax Fund to support street maintenance and transportation costs. A \$261,431 transfer was made from the Residential Construction Fund to the Parks and Maintenance Fund, due to consolidation. The \$25,002 transfer was made to the CDBG Fund to cover a negative cash balance from the prior year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 6: Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,”* and GASB Statement No. 65, *“Items Previously Reported as Assets and Liabilities,”* the City recognized deferred outflows of resources in the government-wide and proprietary fund statements. These items are a consumption of net position by the City that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The City has one item that is reportable on the Government-wide Statement of Net Position. It relates to outflows from changes in the net pension liability (Note 10). Deferred outflows of resources that are reported in the proprietary funds are included in the Government-wide Statement of Net Position. Governmental activities and Business-Type Activities recorded deferred outflows of resources related to pensions of \$859,438 and \$40,597, respectively.

In addition, the City recognized deferred inflows of resources in the government-wide, governmental fund, and proprietary fund statements. These items are an acquisition of net position by the City that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The City has one item that is reportable on the Government-wide Statement of Net Position; inflows from changes in the net pension liability (Note 10). Deferred inflows of resources that are reported in the proprietary funds are included in the Government-wide Statement of Net Position. Governmental activities and Business-Type Activities recorded deferred inflows of resources related to pensions of \$2,488,668 and \$140,611, respectively.

Under the modified accrual basis of accounting, it is not enough that revenue is earned; it must also be available to finance expenditures of the current period. Governmental funds will therefore include additional deferred inflows of resources for amounts that have been earned but are not available to finance expenditures in the current period. The City has two items that are reportable on the Governmental Fund Balance Sheet: the first of these items relates to the total housing loan principal and accrued interest receivable amount of \$8,995,159 (Note 4) and the second relates to unavailable DUI revenue of \$16,816, parking ticket revenues of \$210,360, and sales tax \$147,709.

Note 7: Unearned Revenue

General Fund unearned revenue consists of \$460,000 relating to a lease with the Unified Port District of San Diego and \$20,529 of other miscellaneous grant revenues received but not earned. The City entered into an agreement with the Port District in 1993 whereby the Port District leases the Pier Plaza and a parking lot from the city. The District paid the City \$1,800,000 at the beginning of the lease. Each year of the 30-year contract, the City recognizes \$60,000 of income and reduces the unearned revenue. As of June 30, 2015, \$460,000 remains of this unearned lease revenue.

CITY OF IMPERIAL BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015**

Note 8: Long-Term Debt

a. Long-Term Debt – Governmental Activities

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2015:

	Balance 7/1/2014	Additions	Deletions	Balance 6/30/2015	Due Within One Year
Compensated Absences	\$ 777,688	\$ 530,172	\$ 497,847	\$ 810,013	\$ 239,811
Claims & Judgments	1,597,174	361,662	424,449	1,534,387	717,929
	<u>\$ 2,374,862</u>	<u>\$ 891,834</u>	<u>\$ 922,296</u>	<u>\$ 2,344,400</u>	<u>\$ 957,740</u>

Compensated Absences

The City's policies relating to compensated absences are described in Note 1 of the Notes to Financial Statements.

Claims and Judgments

The City's liability regarding self-insurance is described in Note 11 of the Notes to Financial Statements. The liability will be paid in future years from the Self Insurance Fund.

b. Long-Term Debt – Business-Type Activities

The following is a summary of changes in Proprietary Fund long-term debt for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
Enterprise Fund:					
Compensated absences	<u>\$ 62,167</u>	<u>\$ 30,601</u>	<u>\$ 29,275</u>	<u>\$ 63,493</u>	<u>\$ 15,803</u>

c. Special Assessment Bonds

The City has four assessment districts that issued bonds from 1981 through 2004, that are outstanding with no City obligation. The bonds were issued to finance alley paving within the City. The bonds are secured by the unpaid assessments levied against the private property within the assessment districts. The bonds are not general obligations of the City, and neither the faith and credit, nor the taxing power of the City, is pledged to the payment of the bonds.

The liability of property owners for unpaid principal assessments at June 30, 2015, was \$94,000. This bond liability has not been recorded in the accompanying financial statements in compliance with GASB Statement No. 6.

Note 8: Long-Term Debt (Continued)

d. Limited Obligation Improvement Bonds

On March 21, 2005, the City of Imperial Beach Assessment District No. 71 issued \$70,000 in limited obligation improvement bonds with interest rates varying from 5.00% to 5.50% pursuant to the provisions of the Improvement Bond Act of 1915. The bonds were issued to finance certain public improvements to benefit property within the City's Assessment District No. 71. The issues described above are not reflected in the liabilities on the statement of net position because they are special obligations payable solely from and secured by specific revenue sources described in the resolutions and official statement of the issues. Neither faith and credit nor the taxing power of the City, the Redevelopment Agency, the State of California or any political subdivision thereof is pledged for the payment of these bonds.

III. OTHER INFORMATION

Note 9: Pensions

Miscellaneous Plans

Description of Plans

The City of Imperial Beach Miscellaneous "Classic" Plan, PEPRA Miscellaneous Plan and Miscellaneous Second Tier Plan (Miscellaneous Plans) are a cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Plans. Benefit provisions under the Miscellaneous Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the Miscellaneous Plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Public Employees' Pension Reform Act of 2013 (PEPRA) requires new benefits and member contributions for new members as defined by PEPRA, that are hired after January 1, 2013. These PEPRA members in pooled plans are reflected in the new Miscellaneous and Safety risk pools created by the CalPERS Board in response to the passage of PEPRA, beginning with the June 30, 2013, risk-pool valuations. Therefore, pursuant to PEPRA, the Miscellaneous "Classic" plan is closed to new entrants as of January 1, 2013.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 9: Pensions (Continued)

The Miscellaneous Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous Plans		
	<u>Classic</u>	<u>Second Tier</u>	<u>PEPRA</u>
Hire date	Prior to Mar. 9, 2012	On or after Mar. 9, 2012 but prior to Jan. 1, 2013	On or after Jan. 1, 2013
Benefit formula	2.7% @ 55	2% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of credited service		
Benefit payments	monthly for life		
Retirement age	50 and up	50 and up	52 and up
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.092% to 2.272%	1.0% to 2.0%
Required employee contribution rates	7.947%	6.880%	6.308%
Required employer contribution rates	15.685%	8.049%	6.250%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for all Miscellaneous Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as a reduction to the Net Pension Liability for each plan were as follows:

	<u>Classic</u>	<u>PEPRA</u>	<u>Second Tier</u>	<u>Total Miscellaneous Plans</u>
Employee Contributions	\$ 214,985	\$ 18,342	\$ 28,354	\$ 261,681
Employer Proportionate Share of Aggregate Employer Contributions	555,061	141	723	555,925

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 9: Pensions (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, The City reported net pension liabilities for its proportionate shares of the net pension liability of each Miscellaneous Plan as follows:

	<u>Classic</u>	<u>PEPRA</u>	<u>Second Tier</u>	<u>Total Miscellaneous Plans</u>
Proportion - June 30, 2013	\$ 5,102,681	\$ 1,457	\$ 7,462	\$ 5,111,600
Proportion - June 30, 2014	3,528,096	1,066	5,461	3,534,623
Change - Increase/(Decrease)	(1,574,585)	(391)	(2,001)	(1,576,977)

The City's net pension liability for each of the Miscellaneous Plans are measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans are measured as of June 30, 2014, and the total pension liability for each Miscellaneous Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each of the Miscellaneous Plans as of June 30, 2013 and 2014, was as follows:

	<u>Classic</u>	<u>PEPRA</u>	<u>Second Tier</u>
Proportion - June 30, 2013	0.1557%	0.0000%	0.0002%
Proportion - June 30, 2014	0.1428%	0.0000%	0.0002%
Change - Increase/(Decrease)	-0.0130%	0.0000%	0.0000%

For the year ended June 30, 2015, the City recognized pension expense of \$315,811 for all Miscellaneous Plans. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 406,360	\$ -
Unamortized difference between employer contribution and the plans proportionate share of aggregate employer contributions	-	143,105
Net difference between projected and actual earnings on pension plan investments	-	1,412,105
Adjustment due to differences in proportions	44,724	7,141
Total	<u><u>\$ 451,084</u></u>	<u><u>\$ 1,562,351</u></u>

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 9: Pensions (Continued)

The \$406,360 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources
2016	\$ (377,264)
2017	(377,264)
2018	(372,416)
2019	(353,024)

Actuarial Assumptions

The total pension liabilities in the June 30, 2013, actuarial valuations were determined using the following actuarial assumptions:

	<u>Classic</u>	<u>PEPRA</u>	<u>Second Tier</u>
Valuation Date	June 30, 2013	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry Age Normal		
Actuarial Assumptions:			
Discount Rate	7.50%	7.50%	7.50%
Inflation	2.75%	2.75%	2.75%
Projected Salary Increase	Varies by Entry Age and Service		
Investment Rate of Return	7.5%, Net of investment and administrative expenses		
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds*		
Post Retirement Benefit Increase	COLA up to 2.75%	COLA up to 2.75%	COLA up to 2.75%

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this schedule, please refer to the CalPERS 2014 experience study report.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013, valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for each of the Miscellaneous Plans. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the assumed 7.50% discount rate is adequate and the use of the municipal bond rate is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 9: Pensions (Continued)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10*	Real Return Years 11+**
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

* An expected inflation of 2.5% used for this period

**An expected inflation of 3.0% used for this period

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 9: Pensions (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability for each Miscellaneous Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Classic Plan Net Pension Liability	\$ 6,719,197	\$ 3,528,096	\$ 879,785
PEPRA Net Pension Liability	1,899	1,066	374
Second Tier Net Pension Liability	<u>9,731</u>	<u>5,461</u>	<u>1,918</u>
Total for All Miscellaneous Plans	<u>\$ 6,730,827</u>	<u>\$ 3,534,623</u>	<u>\$ 882,077</u>

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Allocation of Proportionate Share of Net Pension Liability

The allocation of the proportionate share of the net pension liability, pension expense, deferred outflows and inflows of resources are allocated as follows:

	<u>Allocation Percentage</u>
Governmental Activities	91.00%
Business-Type Activities	9.00%

The governmental activities portion is allocated to the general fund departments as follows:

	<u>Allocation Percentage</u>
General Government	60.00%
Public Works	3.00%
Parks and Recreation	37.00%

Note 9: Pensions (Continued)

Safety Plans

Descriptions of Plans

The City of Imperial Beach Safety Lifeguard Plan, Safety Fire Plan, and Safety Lifeguard Second Tier Plan (Safety Plans) are a cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). All qualified permanent and probationary employees are eligible to participate in the City's Safety Plans. Benefit provisions under the Miscellaneous Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the Miscellaneous Plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Public Employees' Pension Reform Act of 2013 (PEPRA) requires new benefits and member contributions for new members as defined by PEPRA, that are hired after January 1, 2013. These PEPRA members in pooled plans are reflected in the new Miscellaneous and Safety risk pools created by the CalPERS Board in response to the passage of PEPRA, beginning with the June 30, 2013 risk-pool valuations.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 9: Pensions (Continued)

The Safety Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Safety Plans		
	<u>Lifeguard</u>	<u>Lifeguard Second Tier</u>	<u>Lifeguard PEPRA</u>
	Prior to Mar. 9, 2012	On or after Mar. 9, 2012 but prior to Jan. 1, 2013	On or after Jan. 1, 2013
Hire date	9, 2012	Jan. 1, 2013	Jan. 1, 2013
Benefit formula	2.0% @ 50	2.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of credited service		
Benefit payments	monthly for life		
Retirement age	50 and up	50 and up	50 and up
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	2.0% to 2.7%	2.0% to 2.7%
Required employee contribution rates	8.922%	8.922%	N/A
Required employer contribution rates	20.268%	19.900%	N/A
	<u>Fire</u>	<u>Fire Second Tier</u>	<u>Fire PEPRA</u>
	Prior to Mar. 9, 2012	On or after Mar. 9, 2012 but prior to Jan. 1, 2013	On or after Jan. 1, 2013
Hire date	2012	Jan. 1, 2013	2013
Benefit formula	3.0% @ 50	2.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of credited service		
Benefit payments	monthly for life		
Retirement age	50 and up	50 and up	50 and up
Monthly benefits, as a % of eligible compensation	3.0%	2.0% to 2.7%	2.0% to 2.7%
Required employee contribution rates	8.986%	N/A	N/A
Required employer contribution rates	26.149%	N/A	N/A

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for all Miscellaneous Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each plan were as follows:

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 9: Pensions (Continued)

	<u>Lifeguard</u>	<u>Lifeguard Second Tier</u>	<u>Fire</u>	<u>Total Safety Plans</u>
Employee Contributions	\$ 24,590	\$ 9,705	\$ 143,022	\$ 177,317
Employer Proportionate Share of Aggregate Employer Contributions	21,377	687	355,979	378,043

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, The City reported net pension liabilities for its proportionate shares of the net pension liability of each Miscellaneous Plan as follows:

	<u>Lifeguard</u>	<u>Lifeguard Second Tier</u>	<u>Fire</u>	<u>Total Safety Plans</u>
Proportion - June 30, 2013	\$ 208,187	\$ 7,329	\$ 3,449,815	\$ 3,665,331
Proportion - June 30, 2014	151,355	5,535	2,502,612	2,659,502
Change - Increase/(Decrease)	(56,832)	(1,794)	(947,203)	(1,005,829)

The City's net pension liability for each of the Safety Plans are measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans are measured as of June 30, 2014, and the total pension liability for each Safety Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each of the Safety Plans as of June 30, 2013 and 2014, was as follows:

	<u>Lifeguard</u>	<u>Lifeguard Second Tier</u>	<u>Fire</u>
Proportion - June 30, 2013	0.0044%	0.0002%	0.0721%
Proportion - June 30, 2014	0.0040%	0.0002%	0.0667%
Change - Increase/(Decrease)	-0.0003%	0.0000%	-0.0054%

For the year ended June 30, 2015, the City recognized pension expense of \$190,970 for all Safety Plans. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 9: Pensions (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 350,524	\$ -
Unamortized difference between employer contribution and the plans proportionate share of aggregate employer contributions	-	118,548
Net difference between projected and actual earnings on pension plan investments	-	920,127
Adjustment due to differences in proportions	<u>98,427</u>	<u>28,253</u>
Total	<u><u>\$ 448,951</u></u>	<u><u>\$ 1,066,928</u></u>

The \$350,524 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows of Resources</u>
2016	\$ (236,167)
2017	(236,167)
2018	(234,939)
2019	(230,031)

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 9: Pensions (Continued)

Actuarial Assumptions

The total pension liabilities in the June 30, 2013, actuarial valuations were determined using the following actuarial assumptions:

	<u>Lifeguard</u>	<u>Lifeguard Second Tier</u>	<u>Fire</u>
Valuation Date	June 30, 2013	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014	June 30, 2014
Actuarial Cost Method		Entry Age Normal	
Actuarial Assumptions:			
Discount Rate	7.50%	7.50%	7.50%
Inflation	2.75%	2.75%	2.75%
Projected Salary Increase	Varies by Entry Age and Service		
Investment Rate of Return	7.5%, Net of investment and administrative expenses		
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds*		
Post Retirement Benefit Increase	COLA up to 2.75%	COLA up to 2.75%	COLA up to 2.75%

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this schedule, please refer to the CalPERS 2014 experience study report.

The underlying mortality assumptions and all other actuarial assumptions used on the June 30, 2013, valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for each of the Safety Plans. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the assumed 7.50% discount rate is adequate and the use of the municipal bond rate is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 9: Pensions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10*	Real Return Years 11+**
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

* An expected inflation of 2.5% used for this period

**An expected inflation of 3.0% used for this period

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 9: Pensions (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability for each Safety Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Discount Rate - 1% (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>Discount Rate + 1% (8.50%)</u>
Lifeguard Plan Net Pension Liability	\$ 272,770	\$ 151,355	\$ 51,314
Lifeguard Second Tier Net Pension Liability	9,525	5,535	2,248
Fire Plan Net Pension Liability	<u>4,522,060</u>	<u>2,502,612</u>	<u>838,674</u>
Total for All Miscellaneous Plans	<u>\$ 4,804,355</u>	<u>\$ 2,659,502</u>	<u>\$ 892,236</u>

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Allocation of Proportionate Share of Net Pension Liability

The allocation of the proportionate share of the net pension liability, pension expense, deferred outflows and inflows of resources are allocated as follows:

	<u>Allocation Percentage</u>
Governmental Activities	100.00%

The governmental activities portion is allocated to the general fund departments as follows:

	<u>Allocation Percentage</u>
Public Safety	100.00%

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 10: Other Post-Employment Benefits

Plan Description

The City provides other post-employment benefits (OPEB) through a single-employer defined benefit healthcare plan by contributing up to a maximum of \$122.00 per month for of all premiums charged under the health benefit plan for all eligible employees and qualified family members. These benefits are provided per contract between the City and the employee associations. A separate financial report is not available for the plan.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City, City Council, and/or employee associations. Currently, contributions are not required from plan members. A contribution of \$15,575 was made during the 2014-2015 fiscal year and was not included in the October 1, 2012, actuarial study. The purpose of the contribution was to pay current year premiums for retirees.

As a result, the City calculated and recorded a Net OPEB Liability, representing the difference between the Annual Required Contribution (ARC) and actual contributions, as presented below:

Annual required contribution (ARC)	\$ 34,496
Interest on net OPEB obligation	2,393
Adjustments to ARC	<u>(6,128)</u>
Annual OPEB cost	30,761
Contributions made	<u>15,575</u>
(Decrease) increase in Net OPEB obligation	15,186
Net OPEB obligation (asset) - beginning of year	<u>127,108</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ 142,294</u></u>

The City contributed 50.63% or \$15,575 of the Annual OPEB Cost of \$30,761; an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover the annual normal cost and the amortization of unfunded actuarial liabilities (or funding excess) over a thirty year period.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2014-2015, and the two preceding years were as follows:

<u>End</u>	<u>Cost</u>	<u>Adjustments)</u>	<u>Contributed</u>	<u>(Asset)</u>
6/30/2014	\$ 31,414	\$ 15,332	48.81%	\$ 127,108
6/30/2015	30,761	15,575	50.63%	142,294

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 10: Other Post-Employment Benefits (Continued)

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The table below presents the latest information available.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio	Covered Payroll	UAAL as Percent of Covered Payroll
9/1/2009	\$ -	\$ 238,144	\$ 238,144	0.0%	\$ 4,454,378	5.35%
10/1/2012	116,507	357,437	240,930	32.6%	4,664,039	5.17%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in the actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2012, actuarial valuation, the level percentage of payroll actuarial cost method was used. The actuarial assumptions include a 5% investment rate of return, which is a blended rate of the expected long-term investment return on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and annual healthcare cost trend rate of 4%. The actuarial value of assets is set equal to the reported market value of assets. The UAAL is being amortized as a level dollar on an open basis. The remaining amortization period at June 30, 2015, was twenty-four years. The number of current employees who are eligible to participate in OPEB once retired is 61, the number of retirees currently receiving benefits are 12, and to be eligible to receive benefits the employee must retire from the City and be taking medical insurance at the time of retirement.

Note 11: Self-Insurance Program

General Liability

On August 8, 1990, the City became one of twelve members of the San Diego Pooled Insurance Program Authority (SANDPIPA) and San Diego County Cities Risk Management Authority (SDCCRMA). These organizations were created by a joint powers authority (JPA) to provide liability, property and casualty coverage to its members. Under the joint powers agreement SANDPIPA provides liability insurance coverage for the City for the difference between \$2,500,000 and the individual self-insured retention of \$125,000 each occurrence, \$15,000,000 annual aggregate for the pool. Commercial excess liability insurance is provided from the \$2,500,000 up to \$44,500,000 per occurrence. The premiums billed by the JPA to member cities are planned to match the expenses of the self-insurance as well as the cost of providing the excess layer coverage and the cost of administering the plan.

In addition to its coverage through the JPA, effective July 1, 1993, the San Diego Unified Port District agreed to fund an Escrow Reserve Account of \$300,000 for the purpose of reimbursing the City for any claim costs not covered by the JPA insurance, provided they are directly related to services provided to the District and arising from incidents actually occurring on tidelands and/or lands leased by the City to the District.

Workers Compensation

The City is a member of CSAC Excess Insurance Authority. The City is self-insured for the first \$250,000 of workers' compensation claims. Claims between \$250,000 and \$5,000,000 are covered through the City's risk sharing membership in CSAC. Claims between \$5,000,000 and \$50,000,000 are covered by excess purchased insurance.

The City established a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risk of loss when it became a member of SANDPIPA, PEPIC and CSAC for liability, property casualty and workers' compensation coverage. All funds of the City participate in the program and make payments to the Self-Insurance Fund based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. The estimated claims liability of \$1,077,000 reported at June 30, 2015, is based on the requirements of Governmental Accounting Standards Board Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The above amount includes an estimate for incurred but not reported claims.

During the last three fiscal years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 11: Self-Insurance Program (Continued)

Changes in the reported liability for the last two fiscal years are as follows:

	<u>2013-2014</u>	<u>2014-2015</u>
Claims outstanding at beginning of year	\$ 1,618,483	\$ 1,597,174
Claims and changes in estimates	183,571	361,662
Claim payments	<u>(204,880)</u>	<u>(424,449)</u>
Claims outstanding at end of year	<u>\$ 1,597,174</u>	<u>\$ 1,534,387</u>

Note 12: Contingencies

Litigation

The City is involved in various lawsuits of which the outcome was undetermined as of June 30, 2015. No amount has been accrued for these contingent amounts.

Sand Replenishment Claims

Argoud et al. vs. City of Imperial Beach:

In January of 2014, the City was served with a lawsuit from various homeowners and homeowner associations (Plaintiffs) relating to the City's involvement with a SANDAG sand replenishment project, in which SANDAG performed on the beach in Imperial Beach. The Plaintiffs allege that SANDAG, the City of San Diego, the City of Imperial Beach, the State of California, the California Coastal Commission and the Department of Fish and Wildlife control the shoreline, beach and sand below the mean high tide line along South Seacoast Drive. Plaintiffs allege that the governmental agencies negligently reconfigured the beach, sand and shoreline along South Seacoast Drive in and in front of their properties. According to Plaintiffs, the governmental agencies failed to account for and reasonable foresee the known future high tides and accustomed high winter surf and negligently created a dangerous condition of public property in violation of state law.

Additional Sand Claims:

On July 29, 2014, the City received new claims, in relation to the City's involvement in the SANDAG sand replenishment project, from various homeowners and homeowner associations. These claims arise out of alleged water intrusion incidents and damages on January 27, 2014, March 1, 2014, and continuing. These claims are seeking an estimated \$150,000,000 in damages for personal injuries, emotional distress, costs of repairs, and diminution of property value. The jury trial on the plaintiffs' tort claims and damages is set for July 29, 2016. No damages have been estimated as of June 30, 2015.

Navy Billing

It was discovered in 2013 that the Navy no longer discharged sewage into the City's system and instead directly discharged into the San Diego system. Once San Diego discovered this, they wanted to bill the Navy at a higher rate. In 2013, San Diego approached the City and asked the City to reimburse San Diego going back four years for the higher rate that they would have charged the Navy. San Diego sought reimbursement from the City in the amount of \$546,240. In August of 2013, the City rejected that request. In April of 2014, San Diego made a new offer to have the City pay San Diego \$280,416 to settle the Navy billing dispute. The City accepted this offer and responded to San Diego in June of 2014 with a draft settlement agreement. This amount has been accrued by the City as a liability to the City of San Diego as of June 30, 2014.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 12: Contingencies (Continued)

The following material construction commitments existed at June 30, 2015:

Project Name	Contract Amount	Expenditures to date as of June 30, 2015	Remaining Commitments
RTIP FY 13-14 Elm Ave ASP	\$ 309,754	\$ 206,003	\$ 103,751
RTIP FY 14-15	546,318	95,256	451,062
Delaware Street & Sidewalk	266,710	48,768	217,942
PS#10 Rehabilitation	392,440	27,846	364,594

Note 13: Successor Agency Trust for Assets of the Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Imperial Beach that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On November 1, 2011, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011,) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

a. Cash and Investments

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments pooled with the City	\$ 1,179,341
Cash and investments with fiscal agent	<u>2,835,565</u>
	<u><u>\$ 4,014,906</u></u>

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 13: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

b. Long-Term Debt

A description of long-term debt outstanding (excluding defeased debt) of the Successor Agency as of June 30, 2015, follows:

	Balance July 1, 2014	Additions	Repayments	Balance June 30, 2015	Due Within One Year
Fiduciary Funds:					
2010 Tax Allocation Bonds	\$ 21,235,000	\$ -	\$ 235,000	\$ 21,000,000	\$ 245,000
2013 Tax Allocation Bonds	17,260,000	-	-	17,260,000	-
Total Fiduciary Funds	\$ 38,495,000	\$ -	\$ 235,000	38,260,000	\$ 245,000
			Unamortized Premiums/Discounts	(156,379)	
			Total Long-term Debt	\$ 38,103,621	

Tax Allocation Bonds, 2010

In November 2010, the Imperial Beach Public Financing Authority issued \$21,595,000 Tax Allocation Bonds, 2010. The proceeds of the bonds were loaned to the former Imperial Beach Redevelopment Agency to fund redevelopment activities, to provide for a reserve fund and to provide for the costs of issuance of the bonds.

Although the bonds were issued by the Authority and loaned to the former Redevelopment Agency, the loan transaction has been eliminated from these financial statements, as the Public Financing Authority does not have its own financial statements or fund. The Agency's obligations under the Loan Agreements are secured by a pledge of Tax Revenues, not including Low and Moderate Income Housing set-aside that it receives. Interest on the bonds is payable semiannually and principal payments are due annually. The bonds consist of \$2,135,000 in term bonds due June 1, 2030, with interest at 5.000%; term bonds of \$5,170,000 due June 1, 2035, with interest at 5.000% and term bonds of \$10,715,000 due June 1, 2040, with interest at 5.125%. The balance at June 30, 2015, excluding unamortized original issue discount of \$651,481, is \$21,000,000.

The following is a schedule by years, of future debt service payments as of June 30:

	2010 Tax Allocation Bonds	
	Principal	Interest
2015 - 2016	\$ 245,000	\$ 1,034,056
2016 - 2017	255,000	1,026,706
2017 - 2018	265,000	1,018,419
2018 - 2019	275,000	1,009,144
2019 - 2020	285,000	998,831
2020 - 2025	1,655,000	4,802,481
2025 - 2030	2,135,000	4,370,219
2030 - 2035	5,170,000	3,715,469
2035 - 2040	10,715,000	1,703,806
2040 - 2045	-	-
Totals	\$ 21,000,000	\$ 19,679,131

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 13: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

On June 14, 2012, Moody's Investors Service ("Moody's") downgraded all California tax allocation bonds rated 'Baa3' and above. As such, the Bonds' insured rating was downgraded from 'A3' to 'Ba1' and underlying rating was downgraded from 'A3' to 'Ba1'. According to Moody's, all California tax allocation bond ratings remain on review for possible withdrawal.

Tax Allocation Bonds, 2013

In January 2014, the Imperial Beach Public Financing Authority issued \$17,260,000 Tax Allocation Bonds, 2013. The proceeds of the bonds were to defease the 2003 Series A Tax Allocation Bonds. Interest on the bonds is payable semiannually and principal payments are due annually. Debt service payments occur from June 1, 2017, through June 1, 2033. Interest rates on the bonds range from 3.625% to 5% per annum. The balance at June 30, 2015, excluding unamortized original issue premium of \$495,102, is \$17,260,000.

The following is a schedule by years, of future debt service payments as of June 30:

	2013 Tax Allocation Refunding Bonds	
	Principal	Interest
2015 - 2016	\$ -	\$ 790,463
2016 - 2017	145,000	790,463
2017 - 2018	760,000	784,663
2018 - 2019	790,000	754,263
2019 - 2020	825,000	722,663
2020 - 2025	4,720,000	3,011,606
2025 - 2030	5,825,000	1,870,281
2030 - 2035	4,195,000	426,000
Totals	<u>\$ 17,260,000</u>	<u>\$ 9,150,402</u>

Pledged Revenue

The City pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$67,089,533 with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$3,650,680 and the debt service obligation on the bonds was \$2,056,673.

CITY OF IMPERIAL BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 13: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

c. Insurance

The Successor Agency is covered under the City of Imperial Beach’s insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage and self-insured retentions can be found in Note 11.

Note 14: Net Position Restatements

Pursuant to GASB Statement No. 68 “Accounting and Financial Reporting For Pensions – An Amendment of GASB Statement No. 27”, the City’s Governmental and Proprietary Net Positions were restated as of June 30, 2014, to reflect the City’s proportionate share of the net pension liability.

The restatements were reflected as follows:

	Miscellaneous Plans	Safety Plans	Total Restatement	Net Position at July 1, 2014	
				Previously Stated	Restated
Governmental Net Position	\$ 4,275,890	\$ 3,405,836	\$ 7,681,726	\$ 78,010,408	\$ 70,328,682
Proprietary Net Position	422,890	-	422,890	8,691,782	8,268,892
June 30, 2013 (NPL)	<u>\$ 4,698,780</u>	<u>\$ 3,405,836</u>			

Note 15: Restricted Components of Net Position

The restricted component of net position are assets that are subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. In fiscal year 2015, the City did not have any components of net position restricted by enabling legislation.

The restricted component of net position at June 30, 2015, for governmental activities is as follows:

Restricted for Community Development Projects:	
Housing Authority	\$ 569,481
C.I.P. 2010 Bond	5,348,356
Total	<u>\$ 5,917,837</u>
Restricted for Public Works:	
Gas Tax	1,789,416
Prop A Tax	323,877
Total	<u>2,113,293</u>
Restricted for Public Safety:	
Supplemental Law Enforcement	5,508
Local Law Enforcement Block Grant	20,376
Traffic Safety	110
Total	<u>25,994</u>
Restricted for Parks and Recreation:	
Park Grants	91
Parks Maintenance	267,669
Total	<u>267,760</u>
Total Restricted Component of Net Position - Government Activities	<u>\$ 8,324,884</u>

CITY OF IMPERIAL BEACH

MISCELLANEOUS "CLASSIC" PLAN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

	<u>2015</u>
Proportion of the Net Pension Liability	0.14275%
Proportionate Share of the Net Pension Liability	\$ 3,528,096
Covered-Employee Payroll	\$ 2,691,089
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	131.10%
Plan Fiduciary Net Position	\$ 20,526,143
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.33%

Notes to Schedule:

Benefit Changes:

These figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact.

Changes of Assumptions:

None

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

CITY OF IMPERIAL BEACH

PEPRA MISCELLANEOUS PLAN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

	<u>2015</u>
Proportion of the Net Pension Liability	0.00004%
Proportionate Share of the Net Pension Liability	\$ 1,066
Covered-Employee Payroll	\$ 210,443
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	0.51%
Plan Fiduciary Net Position	\$ 5,216
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.03%

Notes to Schedule:

Benefit Changes:

These figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact.

Changes of Assumptions:

None

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

CITY OF IMPERIAL BEACH

MISCELLANEOUS SECOND TIER PLAN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

	<u>2015</u>
Proportion of the Net Pension Liability	0.00004%
Proportionate Share of the Net Pension Liability	\$ 5,461
Covered-Employee Payroll	\$ 175,213
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	3.12%
Plan Fiduciary Net Position	\$ 26,719
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.03%

Notes to Schedule:

Benefit Changes:

These figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact.

Changes of Assumptions:

None

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

CITY OF IMPERIAL BEACH

**SAFETY LIFEGUARD PLAN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2015</u>
Proportion of the Net Pension Liability	0.00404%
Proportionate Share of the Net Pension Liability	\$ 151,355
Covered-Employee Payroll	\$ 219,724
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	68.88%
Plan Fiduciary Net Position	\$ 755,085
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.88%

Notes to Schedule:

Benefit Changes:

These figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact.

Changes of Assumptions:

None

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

CITY OF IMPERIAL BEACH

**SAFETY LIFEGUARD SECOND TIER PLAN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2015</u>
Proportion of the Net Pension Liability	0.14275%
Proportionate Share of the Net Pension Liability	\$ 5,535
Covered-Employee Payroll	\$ 124,525
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	4.44%
Plan Fiduciary Net Position	\$ 24,252
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.42%

Notes to Schedule:

Benefit Changes:

These figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact.

Changes of Assumptions:

None

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

CITY OF IMPERIAL BEACH

**SAFETY FIRE PLAN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2015</u>
Proportion of the Net Pension Liability	0.06672%
Proportionate Share of the Net Pension Liability	\$ 2,502,612
Covered-Employee Payroll	\$ 866,313
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	288.88%
Plan Fiduciary Net Position	\$ 12,573,801
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	288.88%

Notes to Schedule:

Benefit Changes:

These figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact.

Changes of Assumptions:

None

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

CITY OF IMPERIAL BEACH

**MISCELLANEOUS "CLASSIC" PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2015</u>
Actuarially Determined Contribution	\$ 376,864
Contribution in Relation to the Actuarially Determined Contribution	(376,864)
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll	\$ 2,691,089
Contributions as a Percentage of Covered-Employee Payroll	14.00%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Note to Schedule:

Valuation Date:	June 30, 2012
Methods and assumptions used to determine contribution rates:	
Single and Agent Employers Example	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Assets valuation method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment rate of return	7.5% net of pension plan investment expense, including inflation
Retirement age	50 Years
Mortality	Derived using CalPERS Membership Data for all Funds

CITY OF IMPERIAL BEACH

**PEPRA MISCELLANEOUS PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2015</u>
Actuarially Determined Contribution	\$ 18,195
Contribution in Relation to the Actuarially Determined Contribution	(18,195)
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll	\$ 210,443
Contributions as a Percentage of Covered-Employee Payroll	8.65%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Note to Schedule:

Valuation Date:	June 30, 2012
Methods and assumptions used to determine contribution rates:	
Single and Agent Employers Example	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Assets valuation method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment rate of return	7.5% net of pension plan investment expense, including inflation
Retirement age	52 years
Mortality	Derived using CalPERS Membership Data for all Funds

CITY OF IMPERIAL BEACH

**MISCELLANEOUS SECOND TIER PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2015</u>
Actuarially Determined Contribution	\$ 17,761
Contribution in Relation to the Actuarially Determined Contribution	(17,761)
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll	\$ 175,213
Contributions as a Percentage of Covered-Employee Payroll	10.14%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Note to Schedule:

Valuation Date:	June 30, 2012
Methods and assumptions used to determine contribution rates:	
Single and Agent Employers Example	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Assets valuation method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment rate of return	7.5% net of pension plan investment expense, including inflation
Retirement age	50 Years
Mortality	Derived using CalPERS Membership Data for all Funds

CITY OF IMPERIAL BEACH

**SAFETY LIFEGUARD PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2015</u>
Actuarially Determined Contribution	\$ 45,251
Contribution in Relation to the Actuarially Determined Contribution	(45,251)
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll	\$ 219,724
Contributions as a Percentage of Covered-Employee Payroll	20.59%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Note to Schedule:

Valuation Date:	June 30, 2012
Methods and assumptions used to determine contribution rates:	
Single and Agent Employers Example	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Assets valuation method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment rate of return	7.5% net of pension plan investment expense, including inflation
Retirement age	50 Years
Mortality	Derived using CalPERS Membership Data for all Funds

CITY OF IMPERIAL BEACH

**SAFETY LIFEGUARD SECOND TIER PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	2015
Actuarially Determined Contribution	\$ 21,165
Contribution in Relation to the Actuarially Determined Contribution	(21,165)
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll	\$ 124,525
Contributions as a Percentage of Covered-Employee Payroll	17.00%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Note to Schedule:

Valuation Date:	June 30, 2012
Methods and assumptions used to determine contribution rates:	
Single and Agent Employers Example	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Assets valuation method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment rate of return	7.5% net of pension plan investment expense, including inflation
Retirement age	50 Years
Mortality	Derived using CalPERS Membership Data for all Funds

CITY OF IMPERIAL BEACH

**SAFETY FIRE PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	2015
Actuarially Determined Contribution	\$ 193,079
Contribution in Relation to the Actuarially Determined Contribution	(193,079)
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll	\$ 866,313
Contributions as a Percentage of Covered-Employee Payroll	22.29%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Note to Schedule:

Valuation Date:	June 30, 2012
Methods and assumptions used to determine contribution rates:	
Single and Agent Employers Example	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Assets valuation method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment rate of return	7.5% net of pension plan investment expense, including inflation
Retirement age	50 Years
Mortality	Derived using CalPERS Membership Data for all Funds

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE BY DEPARTMENT
 GENERAL FUND
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 15,608,764	\$ 15,608,764	\$ 15,608,764	\$ -
Resources (Inflows):				
Taxes	8,316,575	8,566,575	8,670,573	103,998
Licenses and permits	536,100	536,100	586,600	50,500
Intergovernmental	140,000	419,603	544,505	124,902
Charges for services	7,051,579	7,309,029	7,243,548	(65,481)
Use of money and property	457,000	457,000	421,139	(35,861)
Fines and forfeitures	149,500	149,500	143,437	(6,063)
Miscellaneous	515,000	265,000	137,280	(127,720)
Transfers in	884,065	884,065	797,400	(86,665)
Amounts Available for Appropriation	33,658,583	34,195,636	34,153,246	(42,390)
Charges to Appropriation (Outflow):				
General government				
Mayor/City Council	170,004	173,104	176,766	(3,662)
City Clerk's Office	360,148	307,148	287,708	19,440
City Manager	367,219	470,581	424,853	45,728
Economic Development	105,896	102,796	91,315	11,481
Human Resources	185,242	287,740	276,844	10,896
Administrative Services	520,996	618,737	602,483	16,254
City Attorney	205,000	153,074	151,623	1,451
Community Development	519,658	583,745	553,716	30,029
Treasury	119,489	74,384	74,016	368
Facilities Maintenance	283,167	264,927	245,094	19,833
Non-Departmental	291,058	317,458	276,770	40,688
Public safety				
Law Enforcement Contract	6,642,671	6,489,167	6,432,740	56,427
Fire Protection	2,231,268	2,686,655	2,679,358	7,297
Ocean/Beach Safety	1,449,823	1,461,743	1,448,538	13,205
Building and Housing Inspection	354,844	343,955	327,783	16,172
Animal Control	282,029	294,129	290,597	3,532
Code Enforcement	189,497	176,478	173,240	3,238
AVA Program	8,182	-	-	-
Parks and recreation				
Recreation	50,000	50,856	47,655	3,201
Park Maintenance	461,579	455,709	454,512	1,197
Senior Services	101,548	101,548	91,191	10,357
Tideland Maintenance	926,863	929,579	918,303	11,276
Public works				
Street Maintenance	1,036,163	1,033,883	1,033,560	323
Administration	615,493	642,812	619,236	23,576
Solid Waste Management	85,142	267,596	215,407	52,189
Storm Water	343,507	347,107	320,162	26,945
Tidelands Maintenance	-	-	5	(5)
Capital outlay	15,000	150,783	178,286	(27,503)
Transfers out	17,800	229,245	254,247	(25,002)
Total Charges to Appropriations	17,939,286	19,014,939	18,646,008	368,931
Budgetary Fund Balance, June 30	\$ 15,719,297	\$ 15,180,697	\$ 15,507,238	\$ 326,541

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 HOUSING AUTHORITY
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 610,922	\$ 610,922	\$ 610,922	\$ -
Resources (Inflows):				
Use of money and property	-	-	3,436	3,436
Transfers in	-	229,245	246,114	16,869
Amounts Available for Appropriations	610,922	840,167	860,472	20,305
Charges to Appropriation (Outflow):				
Community development	-	333,131	274,122	59,009
Transfers out	-	16,869	16,869	-
Total Charges to Appropriations	-	350,000	290,991	59,009
Budgetary Fund Balance, June 30	\$ 610,922	\$ 490,167	\$ 569,481	\$ 79,314

Note 1: General Budget Policies

The two-year operating budget adopted by the City Council provides for the general operations of the City. It includes proposed expenditures and the means of financing them on a departmental basis. Budgets are legally adopted for the General Fund and the Special Revenue Funds, except for the CDBG Fund, Local Law Enforcement Block Grant Fund, Traffic Safety Fund, and the Parks Grant Fund.

The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year. All amendments made during the year are included in the budgetary amounts reported herein. The "appropriated budget" covers all City expenditures, with the exception of debt service on bond issues and capital improvement projects carried forward from prior years, which expenditures constitute the legally authorized "non-appropriated budget." Actual expenditures may not exceed budgeted appropriations at the fund level, which is the legal level of control for the Capital Projects Funds. All other funds use the departmental level as the legal level of control.

Formal budgetary integration is employed as a management control device during the year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures. Appropriations that are encumbered lapse at year-end and then are added to the following years' budgeted appropriations.

Budgets for the General Fund and Special Revenue Funds are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP). Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. Appropriations for capital projects authorized but not constructed or completed during the year are carried forward as continuing appropriations into the following year's budget.

Under Article XIII-B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset by a deficit in the following year. For the fiscal year ended June 30, 2015, based on calculations by City staff, proceeds of taxes did not exceed appropriations. Further, Section 5 of Article XIII-B allows the City to designate a portion of fund balance for general contingencies to be used for any purpose.

Appropriations lapse at the end of the fiscal year except for the Capital Projects Funds, which may be carried over to the next fiscal year if not completed at year-end. Expenditures may not exceed budget appropriations at the department level for the General Fund and at the function level for the Special Revenue Funds.

A project-length budget is adopted for the capital projects funds. The debt service fund is governed by bond covenants; therefore, a formal budget is not adopted. Thus, the City does not show a budget comparison debt service funds. In addition, the Traffic Safety Fund, the Parks Grant Fund, and the Residential Construction Fund did not adopt a budget; therefore, a budget comparison is not shown.

CITY OF IMPERIAL BEACH

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
JUNE 30, 2015

Note 1: General Budget Policies (Continued)

a. Excess of Expenditures Over Appropriations

Excess expenditures over appropriations were as follows:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund:			
General government			
Mayor/City Council	\$ 176,766	\$ 173,104	\$ 3,662
Public Works:			
Tidelands Maintenance	\$ 5	\$ -	\$ 5
Capital Outlay	178,286	150,783	27,503
Transfers out	254,247	229,245	25,002

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CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>Special Revenue Funds</u>			
	<u>Gas Tax</u>	<u>Prop A Tax</u>	<u>Residential Construction</u>	<u>CDBG Grant</u>
Assets:				
Pooled cash and investments	\$ 1,803,604	\$ 330,613	\$ -	\$ -
Due from other governments	-	-	-	-
Total Assets	<u>\$ 1,803,604</u>	<u>\$ 330,613</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 12,699	\$ 4,910	\$ -	\$ -
Accrued liabilities	1,489	1,826	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	<u>14,188</u>	<u>6,736</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted for:				
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	1,789,416	323,877	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>1,789,416</u>	<u>323,877</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 1,803,604</u>	<u>\$ 330,613</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special Revenue Funds			
	Supplemental Law Enforcement	Local Law Enforcement Block Grant	Lighting District #67	Traffic Safety Fund
Assets:				
Pooled cash and investments	\$ 15,965	\$ 20,376	\$ 446	\$ 110
Due from other governments	25,000	-	951	-
Total Assets	\$ 40,965	\$ 20,376	\$ 1,397	\$ 110
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 35,457	\$ -	\$ 4,670	\$ -
Accrued liabilities	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	35,457	-	4,670	-
Fund Balances:				
Restricted for:				
Public safety	5,508	20,376	-	110
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Unassigned	-	-	(3,273)	-
Total Fund Balances	5,508	20,376	(3,273)	110
Total Liabilities and Fund Balances	\$ 40,965	\$ 20,376	\$ 1,397	\$ 110

CITY OF IMPERIAL BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special	Capital Projects Fund		Total
	Revenue Funds			
	Parks Grant	Capital	Parks	
	Fund	Projects	Maintenance	Funds
			CIP	
Assets:				
Pooled cash and investments	\$ 91	\$ -	\$ 267,675	\$ 2,438,880
Due from other governments	-	185,480	-	211,431
Total Assets	\$ 91	\$ 185,480	\$ 267,675	\$ 2,650,311
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 37,654	\$ 6	\$ 95,396
Accrued liabilities	-	660	-	3,975
Due to other governments	-	-	-	-
Due to other funds	-	183,594	-	183,594
Total Liabilities	-	221,908	6	282,965
Fund Balances:				
Restricted for:				
Public safety	-	-	-	25,994
Parks and recreation	91	-	267,669	267,760
Public works	-	-	-	2,113,293
Unassigned	-	(36,428)	-	(39,701)
Total Fund Balances	91	(36,428)	267,669	2,367,346
Total Liabilities and Fund Balances	\$ 91	\$ 185,480	\$ 267,675	\$ 2,650,311

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CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	Special Revenue Funds			
	Gas Tax	Prop A Tax	Residential Construction	CDBG Grant
Revenues:				
Assessments	\$ -	\$ -	\$ -	\$ -
Intergovernmental	734,774	908,000	-	-
Charges for services	-	43,269	18,300	-
Use of money and property	14,507	1,980	1,225	-
Total Revenues	749,281	953,249	19,525	-
Expenditures:				
Current:				
General government	512,601	-	-	-
Parks and recreation	-	-	-	-
Public works	1,147	29,115	-	-
Capital outlay	-	667,105	-	-
Total Expenditures	513,748	696,220	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	235,533	257,029	19,525	-
Other Financing Sources (Uses):				
Transfers in	-	-	-	25,002
Transfers out	(600,000)	(197,400)	(261,431)	-
Total Other Financing Sources (Uses)	(600,000)	(197,400)	(261,431)	25,002
Net Change in Fund Balances	(364,467)	59,629	(241,906)	25,002
Fund Balances, Beginning of Year	2,153,883	264,248	241,906	(25,002)
Fund Balances, End of Year	\$ 1,789,416	\$ 323,877	\$ -	\$ -

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	Special Revenue Funds			
	Supplemental Law Enforcement	Local Law Enforcement Block Grant	Lighting District #67	Traffic Safety Fund
Revenues:				
Assessments	\$ -	\$ -	\$ 10,996	\$ -
Intergovernmental	106,230	-	-	-
Charges for services	-	-	-	-
Use of money and property	-	-	36	-
Total Revenues	106,230	-	11,032	-
Expenditures:				
Current:				
General government	-	-	-	-
Parks and recreation	-	-	27,506	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	100,020	-	27,506	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,210	-	(16,474)	-
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	6,210	-	(16,474)	-
Fund Balances, Beginning of Year	(702)	20,376	13,201	110
Fund Balances, End of Year	\$ 5,508	\$ 20,376	\$ (3,273)	\$ 110

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	Special	Capital Projects Fund		Total Governmental Funds
	Revenue Funds	Capital Projects	Parks Maintenance CIP	
	Parks Grant Fund			
Revenues:				
Assessments	\$ -	\$ -	\$ -	\$ 10,996
Intergovernmental	-	334,658	-	2,083,662
Charges for services	-	-	6,000	67,569
Use of money and property	-	(27)	244	17,965
Total Revenues	-	334,631	6,244	2,180,192
Expenditures:				
Current:				
General government	-	216,068	-	728,669
Parks and recreation	-	-	-	27,506
Public works	-	-	-	30,262
Capital outlay	-	122,420	-	789,525
Total Expenditures	-	338,488	-	1,675,982
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(3,857)	6,244	504,210
Other Financing Sources (Uses):				
Transfers in	-	-	261,431	286,433
Transfers out	-	-	-	(1,058,831)
Total Other Financing Sources (Uses)	-	-	261,431	(772,398)
Net Change in Fund Balances	-	(3,857)	267,675	(268,188)
Fund Balances, Beginning of Year	91	(32,571)	(6)	2,635,534
Fund Balances, End of Year	\$ 91	\$ (36,428)	\$ 267,669	\$ 2,367,346

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 GAS TAX
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,153,883	\$ 2,153,883	\$ 2,153,883	\$ -
Resources (Inflows):				
Intergovernmental	790,801	790,801	734,774	(56,027)
Use of money and property	18,000	18,000	14,507	(3,493)
Amounts Available for Appropriations	2,962,684	2,962,684	2,903,164	(59,520)
Charges to Appropriation (Outflow):				
General government	37,140	678,600	512,601	165,999
Public works	83,491	83,891	1,147	82,744
Transfers out	688,170	688,170	600,000	88,170
Total Charges to Appropriations	808,801	1,450,661	1,113,748	336,913
Budgetary Fund Balance, June 30	\$ 2,153,883	\$ 1,512,023	\$ 1,789,416	\$ 277,393

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 PROP A TAX
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 264,248	\$ 264,248	\$ 264,248	\$ -
Resources (Inflows):				
Intergovernmental	653,849	653,849	908,000	254,151
Charges for services	12,400	12,400	43,269	30,869
Use of money and property	14,000	14,000	1,980	(12,020)
Amounts Available for Appropriations	944,497	944,497	1,217,497	273,000
Charges to Appropriation (Outflow):				
Public works	26,500	73,145	29,115	44,030
Capital outlay	457,765	715,350	667,105	48,245
Transfers out	195,895	197,400	197,400	-
Total Charges to Appropriations	680,160	985,895	893,620	92,275
Budgetary Fund Balance, June 30	\$ 264,337	\$ (41,398)	\$ 323,877	\$ 365,275

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 RESIDENTIAL CONSTRUCTION
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 241,906	\$ 241,906	\$ 241,906	\$ -
Resources (Inflows):				
Charges for services	7,000	7,000	18,300	11,300
Use of money and property	2,000	2,000	1,225	(775)
Amounts Available for Appropriations	250,906	250,906	261,431	10,525
Charges to Appropriation (Outflow):				
Transfers out	-	261,431	261,431	-
Total Charges to Appropriations	-	261,431	261,431	-
Budgetary Fund Balance, June 30	\$ 250,906	\$ (10,525)	\$ -	\$ 10,525

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 SUPPLEMENTAL LAW ENFORCEMENT
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (702)	\$ (702)	\$ (702)	\$ -
Resources (Inflows):				
Intergovernmental	100,000	100,000	106,230	6,230
Amounts Available for Appropriations	99,298	99,298	105,528	6,230
Charges to Appropriation (Outflow):				
Public safety	100,000	100,000	100,020	(20)
Total Charges to Appropriations	100,000	100,000	100,020	(20)
Budgetary Fund Balance, June 30	\$ (702)	\$ (702)	\$ 5,508	\$ 6,210

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 LIGHTING DISTRICT #67
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 13,201	\$ 13,201	\$ 13,201	\$ -
Resources (Inflows):				
Assessments	12,000	12,000	10,996	(1,004)
Use of money and property	200	200	36	(164)
Transfers in	17,800	17,800	-	(17,800)
Amounts Available for Appropriations	43,201	43,201	24,233	(18,968)
Charges to Appropriation (Outflow):				
Parks and recreation	30,000	30,000	27,506	2,494
Total Charges to Appropriations	30,000	30,000	27,506	2,494
Budgetary Fund Balance, June 30	\$ 13,201	\$ 13,201	\$ (3,273)	\$ (16,474)

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 CAPITAL PROJECTS
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (32,571)	\$ (32,571)	\$ (32,571)	\$ -
Resources (Inflows):				
Intergovernmental	-	469,000	334,658	(134,342)
Use of money and property	-	-	(27)	(27)
Transfers in	-	25,000	-	(25,000)
Amounts Available for Appropriations	(32,571)	461,429	302,060	(159,369)
Charges to Appropriation (Outflow):				
General government	-	483,394	216,068	267,326
Public works	-	11,717	-	11,717
Capital outlay	-	525,900	122,420	403,480
Total Charges to Appropriations	-	1,021,011	338,488	682,523
Budgetary Fund Balance, June 30	\$ (32,571)	\$ (559,582)	\$ (36,428)	\$ 523,154

CITY OF IMPERIAL BEACH

BUDGETARY COMPARISON SCHEDULE
 C.I.P. 2010 BOND
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 4,647,421	\$ 4,647,421	\$ 4,647,421	\$ -
Resources (Inflows):				
Use of money and property	-	-	31,305	31,305
Contributions from Successor Agency	-	1,274,584	1,274,584	-
Amounts Available for Appropriations	4,647,421	5,922,005	5,953,310	31,305
Charges to Appropriation (Outflow):				
General government	-	178,000	62,300	115,700
Capital outlay	-	1,291,877	542,654	749,223
Total Charges to Appropriations	-	1,469,877	604,954	864,923
Budgetary Fund Balance, June 30	\$ 4,647,421	\$ 4,452,128	\$ 5,348,356	\$ 896,228

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2015

	Vehicle Replacement & Maintenance	Self-Insurance	Technology & Communication	Facilities Repair & Maintenance	Totals
Assets:					
Current:					
Cash and investments	\$ 892,258	\$ 3,016,100	\$ 532,412	\$ 483,141	\$ 4,923,911
Due from other governments	20,901	-	-	-	20,901
Total Current Assets	913,159	3,016,100	532,412	483,141	4,944,812
Noncurrent:					
Capital assets - net of accumulated depreciation	1,218,247	-	63,899	-	1,282,146
Total Noncurrent Assets	1,218,247	-	63,899	-	1,282,146
Total Assets	2,131,406	3,016,100	596,311	483,141	6,226,958
Deferred Outflows of Resources:					
Deferred pension related items	22,554	4,511	18,043	-	45,108
Total Deferred Outflows of Resources	22,554	4,511	18,043	-	45,108
Liabilities:					
Current:					
Accounts payable	14,178	15,962	86,031	-	116,171
Accrued liabilities	32,073	4,723	11,663	-	48,459
Accrued compensated absences	14,880	6,796	7,161	-	28,837
Accrued claims and judgments	-	717,929	-	-	717,929
Total Current Liabilities	61,131	745,410	104,855	-	911,396
Noncurrent:					
Net pension liability	176,732	35,347	141,385	-	353,464
Accrued compensated absences	29,465	3,268	-	-	32,733
Accrued claims and judgments	-	816,458	-	-	816,458
Total Noncurrent Liabilities	206,197	855,073	141,385	-	1,202,655
Total Liabilities	267,328	1,600,483	246,240	-	2,114,051
Deferred Inflows of Resources:					
Deferred pension related items	78,117	15,623	62,494	-	156,234
Total Deferred Inflows of Resources	78,117	15,623	62,494	-	156,234
Net Position:					
Investment in capital assets	1,218,247	-	63,899	-	1,282,146
Unrestricted	590,268	1,404,505	241,721	483,141	2,719,635
Total Net Position	\$ 1,808,515	\$ 1,404,505	\$ 305,620	\$ 483,141	\$ 4,001,781

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2015

	Vehicle Replacement & Maintenance	Self-Insurance	Technology & Communication	Facilities Repair & Maintenance	Totals
Operating Revenues:					
Sales and service charges	\$ 692,292	\$ 257,172	\$ 467,940	\$ 138,996	\$ 1,556,400
Miscellaneous	129,248	101,469	6,862	-	237,579
Total Operating Revenues	821,540	358,641	474,802	138,996	1,793,979
Operating Expenses:					
Services and supplies	269,993	457,233	224,105	65,937	1,017,268
Claims expense	-	28,406	-	-	28,406
Depreciation expense	213,609	-	27,832	-	241,441
Personnel and administrative	363,252	87,631	203,373	-	654,256
Total Operating Expenses	846,854	573,270	455,310	65,937	1,941,371
Operating Loss	(25,314)	(214,629)	19,492	73,059	(147,392)
Nonoperating Revenues (Expenses):					
Interest revenue	6,529	19,049	3,111	2,916	31,605
Loss on disposal	(10,905)	-	-	-	(10,905)
Total Nonoperating Revenues	(4,376)	19,049	3,111	2,916	20,700
Changes in Net Position	(29,690)	(195,580)	22,603	75,975	(126,692)
Net Position:					
Beginning of Year, as originally reported	2,073,144	1,647,073	470,968	407,166	4,598,351
Restatements	(234,939)	(46,988)	(187,951)	-	(469,878)
Beginning of Fiscal Year, as restated	1,838,205	1,600,085	283,017	407,166	4,128,473
End of Fiscal Year	\$ 1,808,515	\$ 1,404,505	\$ 305,620	\$ 483,141	\$ 4,001,781

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CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2015

	Vehicle Replacement & Maintenance	Self-Insurance	Technology & Communication	Facilities Repair & Maintenance	Totals
Cash Flows from Operating Activities:					
Cash received from/(paid to) interfund service provided	\$ 825,754	\$ 358,641	\$ 474,802	\$ 138,996	\$ 1,798,193
Cash paid to suppliers for goods and services	(271,241)	(622,819)	(149,281)	(65,937)	(1,109,278)
Cash paid to employees for services	(347,538)	1,585	(203,818)	-	(549,771)
Net Cash Provided (Used) by Operating Activities	206,975	(262,593)	121,703	73,059	139,144
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(209,525)	-	(44,537)	-	(254,062)
Net Cash Used in Capital and Related Financing Activities	(209,525)	-	(44,537)	-	(254,062)
Cash Flows from Investing Activities:					
Interest received	6,529	19,049	3,111	2,916	31,605
Net Cash Provided by Investing Activities	6,529	19,049	3,111	2,916	31,605
Net Increase (Decrease) in Cash and Cash Equivalents	3,979	(243,544)	80,277	75,975	(83,313)
Cash and Cash Equivalents at Beginning of Year	888,279	3,259,644	452,135	407,166	5,007,224
Cash and Cash Equivalents at End of Year	\$ 892,258	\$ 3,016,100	\$ 532,412	\$ 483,141	\$ 4,923,911
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating loss	\$ (25,314)	\$ (214,629)	\$ 19,492	\$ 73,059	\$ (147,392)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:					
Depreciation	213,609	-	27,832	-	241,441
(Increase) decrease in due from other governments	4,214	-	-	-	4,214
Increase (decrease) in accounts payable	(1,248)	13,238	74,824	-	86,814
Increase (decrease) in accrued liabilities	14,819	373	(1,043)	-	14,149
Increase (decrease) in claims and judgments	-	(62,787)	-	-	(62,787)
Increase (decrease) in salaries and benefits payable	895	1,212	598	-	2,705
Total Adjustments	232,289	(47,964)	102,211	-	286,536
Net Cash Provided (Used) by Operating Activities	\$ 206,975	\$ (262,593)	\$ 121,703	\$ 73,059	\$ 139,144
Non-Cash Investing, Capital, and Financing Activities:					
Increase in Fair Value of Investments	\$ 657	\$ 2,387	\$ 335	\$ 301	\$ 3,680

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF NET POSITION
 ALL AGENCY FUNDS
 JUNE 30, 2015

	Special Assessment Districts			
	Assessment District # 62	Assessment District # 63	Assessment District # 64	Assessment District # 66
Assets:				
Pooled cash and investments	\$ 5	\$ 91,790	\$ 27,593	\$ 158,707
Total Assets	\$ 5	\$ 91,790	\$ 27,593	\$ 158,707
Liabilities:				
Due to bondholders	\$ 5	\$ 91,790	\$ 27,593	\$ 158,707
Total Liabilities	\$ 5	\$ 91,790	\$ 27,593	\$ 158,707

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF NET POSITION
 ALL AGENCY FUNDS
 JUNE 30, 2015

	Special Assessment Districts		Agency Funds Totals
	Assessment District # 68	Assessment District # 71	
Assets:			
Pooled cash and investments	\$ 93,570	\$ 18,787	\$ 390,452
Total Assets	\$ 93,570	\$ 18,787	\$ 390,452
Liabilities:			
Due to bondholders	\$ 93,570	\$ 18,787	\$ 390,452
Total Liabilities	\$ 93,570	\$ 18,787	\$ 390,452

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2015

	Balance 7/1/2014	Additions	Deductions	Balance 6/30/2015
<u>Assessment District # 62</u>				
Assets:				
Pooled cash and investments	\$ 5	\$ -	\$ -	\$ 5
Total Assets	\$ 5	\$ -	\$ -	\$ 5
Liabilities:				
Due to bondholders	\$ 5	\$ -	\$ -	\$ 5
Total Liabilities	\$ 5	\$ -	\$ -	\$ 5
<u>Assessment District # 63</u>				
Assets:				
Pooled cash and investments	\$ 91,196	\$ 594	\$ -	\$ 91,790
Total Assets	\$ 91,196	\$ 594	\$ -	\$ 91,790
Liabilities:				
Deposits payable	\$ 91,196	\$ 594	\$ -	\$ 91,790
Total Liabilities	\$ 91,196	\$ 594	\$ -	\$ 91,790
<u>Assessment District # 64</u>				
Assets:				
Pooled cash and investments	\$ 27,413	\$ 180	\$ -	\$ 27,593
Total Assets	\$ 27,413	\$ 180	\$ -	\$ 27,593
Liabilities:				
Deposits payable	\$ 27,413	\$ 180	\$ -	\$ 27,593
Total Liabilities	\$ 27,413	\$ 180	\$ -	\$ 27,593
<u>Assessment District # 66</u>				
Assets:				
Pooled cash and investments	\$ 157,678	\$ 1,029	\$ -	\$ 158,707
Total Assets	\$ 157,678	\$ 1,029	\$ -	\$ 158,707
Liabilities:				
Deposits payable	\$ 157,678	\$ 1,029	\$ -	\$ 158,707
Total Liabilities	\$ 157,678	\$ 1,029	\$ -	\$ 158,707

CITY OF IMPERIAL BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2015

	<u>Balance 7/1/2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2015</u>
<u>Assessment District # 68</u>				
Assets:				
Pooled cash and investments	\$ 92,663	\$ 907	\$ -	\$ 93,570
Total Assets	<u>\$ 92,663</u>	<u>\$ 907</u>	<u>\$ -</u>	<u>\$ 93,570</u>
Liabilities:				
Deposits payable	\$ 92,663	\$ 907	\$ -	\$ 93,570
Total Liabilities	<u>\$ 92,663</u>	<u>\$ 907</u>	<u>\$ -</u>	<u>\$ 93,570</u>
<u>Assessment District # 71</u>				
Assets:				
Pooled cash and investments	\$ 18,638	\$ 149	\$ -	\$ 18,787
Total Assets	<u>\$ 18,638</u>	<u>\$ 149</u>	<u>\$ -</u>	<u>\$ 18,787</u>
Liabilities:				
Deposits payable	\$ 18,638	\$ 149	\$ -	\$ 18,787
Total Liabilities	<u>\$ 18,638</u>	<u>\$ 149</u>	<u>\$ -</u>	<u>\$ 18,787</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Pooled cash and investments	\$ 387,593	\$ 2,859	\$ -	\$ 390,452
Total Assets	<u>\$ 387,593</u>	<u>\$ 2,859</u>	<u>\$ -</u>	<u>\$ 390,452</u>
Liabilities:				
Deposits payable	\$ 387,593	\$ 2,859	\$ -	\$ 390,452
Total Liabilities	<u>\$ 387,593</u>	<u>\$ 2,859</u>	<u>\$ -</u>	<u>\$ 390,452</u>

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH APPLICABLE
REQUIREMENT AND ON INTERNAL CONTROL OVER COMPLIANCE

To the Honorable Mayor and Members of the City Council
Imperial Beach Housing Authority
City of Imperial Beach, California

Report on Compliance

We have audited the Imperial Beach Housing Authority, Housing Successor to the Former RDA, (the Agency) compliance with the California Health and Safety Code sections applicable to California Housing Successor Agencies for the year ending June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the California Health and Safety Code sections applicable to California Housing Successor Agencies.

Auditors' Responsibility

Our responsibility is to express an opinion on the Agency's compliance with the California Health and Safety Code sections applicable to California Housing Successor Agencies. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a material effect on housing program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide legal determination of the Agency's compliance with those requirements.

Opinion

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the housing program for the year ending June 30, 2015.

Report on Internal Control over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a material effect on the housing program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal controls over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.



To the Honorable Mayor and Members of the City Council
Imperial Beach Housing Authority
City of Imperial Beach, California

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or, significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Excess/Surplus Calculation

We have audited the financial statements of the City of Imperial Beach as of and for the year ended June 30, 2015, and have issued our report thereon dated November 10, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying report on excess/surplus calculation is presented for purposes of additional analysis only and is not a required part of the financial statements. Such information is the responsibility of management and was derived from the financial statements. The report on excess/surplus calculation has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing. Accordingly, this communication is not suitable for any other purpose.

Signature on file

Brea, California
November 10, 2015

HOUSING AUTHORITY OF THE CITY OF IMPERIAL BEACH – SUCCESSOR HOUSING ENTITY
Specified Activity Information in Accordance with HSC Section 34176.1
Year Ended June 30, 2015

1. The amount the city received pursuant to subparagraph (A) of paragraph (3) of subdivision (b) of Section 34191.4

SA Loan Repayment in FY2015	\$ 1,146,224

Note: These repayments were not for any loans or deferrals owed to the former Redevelopment Agency's Low and Moderate Income Housing Fund. A balance of \$1,476,661 is owed to the City as of June 30, 2015.

2. The amount deposited to the Low and Moderate Income Housing Asset Fund, distinguishing any amounts held for items listed on the Recognized Obligation Payment Schedule from other amounts. [Health and Safety Code 34176.1(f)(2)]

Interest and other	\$ 20,305
Recognized Obligation Payment Schedule amounts	\$ 0
Other amounts (20% of SA Loan Repayment; above)	\$ 229,245
TOTAL	\$ 249,550

3. A statement of the balance in the Low and Moderate Income Housing Asset Fund, distinguishing any amounts held for items listed on the Recognized Obligation Payment Schedule from other amounts. [Health and Safety Code 34176.1(f)(3)]

Recognized Obligation Payment Schedule amounts	
Other amounts (including SA Loan Repayment)	\$ 569,481
TOTAL	\$ 569,481

4. A description of expenditures from the fund by category, including, but not limited to, expenditures (A) for monitoring and preserving the long-term affordability of units subject to affordability restrictions or covenants entered into by the redevelopment agency or the housing successor and administering the activities described in paragraphs (2) and (3) of subdivision (a), (B) for homeless prevention and rapid rehousing services for the development of housing described in paragraph (2) of subdivision (a), and (C) for the development of housing pursuant to paragraph (3) of subdivision (a). [Health and Safety Code 34176.1(f)(4)]

(A) Monitoring/preserving	\$ 78,491
(B) Homeless prevention/rapid rehousing	\$
(C) Housing development (Habitat for Humanity)	\$ 212,500
TOTAL	\$ 290,991

HOUSING AUTHORITY OF THE CITY OF IMPERIAL BEACH – SUCCESSOR HOUSING ENTITY
Specified Activity Information in Accordance with HSC Section 34176.1
Year Ended June 30, 2015

5. As described in paragraph (1) of subdivision (a), the statutory value of real property owned by the housing successor, the value of loans and grants receivable, and the sum of these two amounts. [Health and Safety Code 34176.1(f)(5)]

Assets held for disposition	\$
Loans receivable	\$ 8,995,159
TOTAL	\$ 8,995,159

6. A description of any transfers made pursuant to paragraph (2) of subdivision (c) in the previous fiscal year and, if still unencumbered, in earlier fiscal years and a description of and status update on any project for which transferred funds have been or will be expended if that project has not yet been placed in service. [Health and Safety Code 34176.1(f)(6)]

Not applicable. No Low and Moderate Income Housing Asset Fund monies were transferred during the fiscal year between the Housing Authority and other housing successors that are located within the County of San Diego or in contiguous jurisdictions.

7. A description of any project for which the housing successor receives or holds property tax revenue pursuant to the Recognized Obligation Payment Schedule and the status of that project. [Health and Safety Code 34176.1(f)(7)]

Although not directly property tax revenue, at the end of the fiscal year, the Housing Authority serving as the Successor Housing Entity is holding \$50,696 in former Imperial Beach Redevelopment Agency housing bond proceeds to be used as financial assistance toward Habitat for Humanity's acquisition of property and development of six (6) semi-detached for-sale residential homes located at 776 10th Street in the City of Imperial Beach, California to be owned and occupied by low-income households. A proportionate amount of the housing bond proceeds were used for project administration costs. The expenditure of housing bond proceeds toward this Project was approved on the Recognized Obligation Payment Schedule of the Successor Agency. The status of the Project is the property has been acquired by Habitat for Humanity and construction of the homes is being completed. A portion of the housing bond proceeds has been disbursed to Habitat for Humanity for approved development costs. The remaining housing bond proceeds are anticipated to be disbursed to Habitat for Humanity for approved development costs in accordance with the Affordable Housing Agreement entered into between the Housing Authority and Habitat for Humanity.

8. For interests in real property acquired by the former redevelopment agency prior to February 1, 2012, a status update on compliance with Section 33334.16. For interests in real property acquired on or after February 1, 2012, a status update on the project. [Health and Safety Code 34176.1(f)(8)]

During the fiscal year, the Housing Authority serving as the Successor Housing Entity held property located at 776 10th Street in the City of Imperial Beach, California which property was previously acquired and owned by the former Imperial Beach Redevelopment Agency for the development of affordable housing. Pursuant to the Affordable Housing Agreement entered into between the

HOUSING AUTHORITY OF THE CITY OF IMPERIAL BEACH – SUCCESSOR HOUSING ENTITY
Specified Activity Information in Accordance with HSC Section 34176.1
Year Ended June 30, 2015

Housing Authority and Habitat for Humanity, the property was sold to Habitat for Humanity for Habitat for Humanity's development of six (6) semi-detached for-sale residential homes to be owned and occupied by low-income households. The status of the Project is the property has been acquired by Habitat for Humanity and construction on the homes is being completed.

9. A description of any outstanding obligations pursuant to Section 33413 that remained to transfer to the housing successor on February 1, 2012, of the housing successor's progress in meeting those obligations, and of the housing successor's plans to meet unmet obligations. In addition, the housing successor shall include in the report posted on its Internet Web site the implementation plans of the former redevelopment agency. [Health and Safety Code 34176.1(f)(9)]

Not applicable

10. The information required by subparagraph (B) of paragraph (3) of subdivision (a). [Health and Safety Code 34176.1(f)(10)]

Not applicable

11. The percentage of units of deed-restricted rental housing restricted to seniors and assisted individually or jointly by the housing successor, its former redevelopment agency, and its host jurisdiction within the previous 10 years in relation to the aggregate number of units of deed-restricted rental housing assisted individually or jointly by the housing successor, its former redevelopment agency, and its host jurisdiction within the same time period. [Health and Safety Code 34176.1(f)(11)]

Not applicable

12. The amount of any excess surplus, the amount of time that the successor agency has had excess surplus, and the housing successor's plan for eliminating the excess surplus. [Health and Safety Code 34176.1(f)(12)]

None. See attached Imperial Beach Housing Successor Report.pdf

13. An inventory of homeownership units assisted by the former redevelopment agency. [Health and Safety Code 34176.1(f)(13)]

Project Name	Number of Units	Units Lost	Funds Returned	Contracted Management
Beachwind Court - 624 12 th Street	15	None	None	Beachwind Court LP
South Bay Community Services – 1260 Calla Ave	1	None	None	South Bay Community Services
South Bay Community Services – 1360 Hemlock	1	None	None	South Bay Community Services
American Legion - 1268 Palm Ave	30	None	None	American Legion
Habitat for Humanity - 10 th and Donax	6	None	None	Habitat for Humanity



STAFF REPORT
CITY OF IMPERIAL BEACH

TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: ANDY HALL, CITY MANAGER AH
MEETING DATE: DECEMBER 9, 2015
ORIGINATING DEPT.: CITY ADMINISTRATION
SUBJECT: AUTHORIZATION TO EXECUTE AN AGREEMENT WITH GREEN de BORTNOWSKY, LLP FOR TEMPORARY AND LIMITED LEGAL SERVICES

EXECUTIVE SUMMARY:

The City of Coronado has challenged the legality of the City of Imperial Beach providing wastewater services to the United States Navy for the proposed Coastal Campus located immediately north of the Imperial Beach city boundary, but within the City of Coronado. Because both the City of Coronado and the City of Imperial Beach contract with the law firm of McDougal, Love, Eckis, Boehmer & Foley for municipal legal services, it was necessary for each city to retain outside counsel for representation of this matter.

Recommendation: Authorize the City Manager to execute an agreement for temporary and limited legal services with the law firm of Green de Bortnowsky to resolve a dispute related to the provision of wastewater services for the proposed Navy Coastal Campus.

Rationale: A conflict of interest based exists because both the City of Coronado and the City of Imperial Beach are represented by the same law firm.

Options:

- Authorize the City Manager to execute the agreement
- Ask for additional information from the City Manager
- Deny the request and provide further direction to the City Manager

BACKGROUND:

Since at least 1962, the City of Imperial Beach has provided wastewater services to the United States Navy in an area directly north of the city boundary, but within the City of Coronado. The City of Coronado has challenged the legality of this action as well as the validity of the agreement. The Local Agency Formation Commission (LAFCO) determined that the existing agreement between the City of Imperial Beach and the United States Navy resulted in an exemption from the purview of LAFCO and indicated that the City of Imperial Beach, consistent with the existing agreement, should provide the wastewater services to the Navy for the Coastal Campus project. The City of Coronado asked LAFCO to reconsider the decision of their Executive Director and on December 7, 2015, the LAFCO Commission upheld the decision of the Executive Director, but directed the parties to meet and identify a solution that would address the concerns of each party.

ANALYSIS:

It was initially estimated that the legal services necessary to address this situation would be less than \$10,000 and further City Council approval would not be necessary. However, because the decision of the LAFCO Executive Director was appealed and further meetings will be necessary, it has been determined that the legal fees will exceed \$10,000 and City Council authorization will be necessary.

Because the situation is ongoing and the City of Coronado has issued a statement of pending litigation, it would not be appropriate to include the details of the legal strategy or ongoing discussion in this staff report. However, staff has met with members of the City Council in executive session and will continue to keep the elected officials apprised of the status of the situation.

ENVIRONMENTAL DETERMINATION:

This report is not a project as defined by CEQA.

FISCAL IMPACT:

It is anticipated that the legal expenses to address this situation will not exceed \$20,000.

Attachments:

- Proposed agreement for legal services from Green de Bortnowsky

LEGAL SERVICES AGREEMENT

THIS LEGAL SERVICES AGREEMENT (“Agreement”) is entered into this ___ day of November, 2015, by and between the CITY OF IMPERIAL BEACH (the “City”) and GREEN de BORTNOWSKY, LLP (the “Firm”). The City and the Firm may be individually referred to as a “Party” and collectively referred to herein as the “Parties.”

RECITALS

The following recitals are a substantive part of this Agreement:

1. The City is in need of outside legal counsel services.
2. The Firm represents that it is qualified by virtue of experience, training, education and expertise to accomplish the services necessary under this Agreement.
3. This Agreement succeeds that certain Legal Services Agreement between the Parties dated November 2, 2015.

AGREEMENT

THE PARTIES MUTUALLY AGREE AS FOLLOWS:

1. Term of Agreement.

The term of this Agreement shall commence upon acceptance and execution of this Agreement by both Parties and will terminate upon the completion of the outside counsel legal services to be provided under Section 2 below unless terminated earlier pursuant to Section 12 of this Agreement.

2. Services to be Provided.

The Firm will provide outside counsel legal services related to the provision of sewer services involving LAFCO and the United States Navy as directed by the City at the rates provided below.

3. Compensation

The Firm shall be compensated as follows:

3.1 Except as otherwise provided herein, all time expended by the Firm on legal counsel services on behalf of the City will be billed at the following hourly rates:

Senior Attorneys	\$260.00
Junior Attorneys	\$230.00
Paralegals	\$175.00

3.2 Billing. The Firm will provide invoicing of all billing for services on a monthly basis. Monthly invoices shall begin on the first of the month following the execution of the Agreement herein. All charges will be itemized by the Firm. The invoice shall include the amount, billing rate and basis for calculation of all fees and costs.

All billing for work performed under this Agreement shall be sent to the following:

City of Imperial Beach
825 Imperial Beach Blvd.
Imperial Beach, CA 91932
Attn: Andy Hall, City Manager

3.3 Reimbursement for Expenses. The Firm shall keep accurate records of all costs, travel and expenses. These records shall be made available to the City upon reasonable request. The City will reimburse actual, reasonable and necessary out of pocket expenses incurred by the Firm in performing any services under this Agreement as follows:

- a. Photocopying charges at twenty-eight cents (\$0.28) per page.
- b. Facsimile charges at one dollar (\$1.00) per page (incoming and outgoing).

- c. Computerized legal research at the actual amount charged to the Firm by any outsider provider.
- d. Parking fees at the actual amount charged to the Firm.
- e. Travel/Mileage at the rate then in effect for permitted reimbursement by the Internal Revenue Service. (Currently, \$0.5750 per mile)
- f. Statutory fees, witness fees, reporters fees, stenographic transcription, jury fees and the cost of serving process actually incurred by the Firm.
- g. Messenger, overnight delivery charges and postage related to the City's business.
- h. Charges from third parties actually incurred by the Firm and relating to the City's business.

To obtain reimbursement, the Firm shall submit a monthly summary of expenses simultaneously with billing invoices. It is recognized that some charges will be reflected on later invoices due to delays in receiving invoices from third-party vendors.

The Firm shall act to maintain costs as low as reasonable under the circumstances.

The City shall pay all invoices within 30 days of receipt. If there is any question or dispute regarding a charge or cost reimbursement item, the City shall pay the full amount of the invoice, less the disputed amount, within the 30 day period. The Parties agree in good faith to resolute the disputed or questioned item within the minimal reasonable time.

4. Insurance.

4.1 Professional Errors and Omissions Insurance. The Firm has in effect a Professional Errors and Omissions Liability Insurance Policy, which provides coverage in an amount of three million dollars (\$3,000,000.00) per

occurrence. The Firm shall also obtain and maintain in full force and effect at all times Automotive and General Liability Insurance in an amount not less than two million dollars (\$2,000,000) per occurrence. The insurance policies required under this paragraph shall be endorsed to state that coverage shall not be suspended, voided, cancelled, reduced in coverage, or in limits, except after thirty (30) days prior written notice, by certified mail return receipt requested, given to the City.

Said insurance policy shall provide coverage to the City for any damages or losses suffered by the City as a result of any error, omission or neglect by the Firm which arise out of the services rendered under this Agreement and which is within the covered items of the policy.

The Firm shall, within ten (10) days after entering into this Agreement, deposit with the City a certificate of insurance certifying that all insurance required herein is, and will be, in full force and effect from the time the Agreement is entered into until completion or termination of this Agreement. The Certificates of Insurance must be renewed at least fifteen (15) days prior to expiration.

All insurance required shall be carried only by responsible insurance companies licensed to do business in California and shall name as additional insured the City and its affiliated entities, their officials, officers, employees, agents and representatives. All policies shall contain language to the effect that: (1) the insurer waives any right of subrogation against the City and the City's officials, officers, employees, agents, and representatives; (2) insurance shall be primary non-contributing and any other insurance carried by the City shall be excess over such insurance; and, (3) such insurance shall not be cancelled or materially changed except after thirty (30) days' notice by the insurer to the City by certified mail. The Firm shall furnish the City with copies of all applicable policies promptly upon receipt.

Nothing in this section shall be construed to make the Firm other than an independent contractor/consultant for all purposes.

The Firm agrees to notify the City in the event that the limits fall below the coverage stated above or if the insurance policies noted here are allowed to lapse and substitute insurance is, or is not, obtained.

4.2 Workers Compensation Insurance. The Firm shall obtain and

maintain workers compensation insurance in accordance with section 3700 of the California Labor Code in an amount not less than one million dollars (\$1,000,000) per occurrence.

5. Indemnification.

The Firm agrees to protect, hold harmless, defend, and indemnify the City, its employees, elective or appointive boards, officers, agents, agenda and affiliates, from any and all loss, claims liabilities, expenses, or damages of any nature whatsoever, including attorneys' fees, arising out of or in any way connected with the performance of, or services rendered by, the Firm, the Firm's agents, officers, employees, sub-contractors or independent contractors of the Firm, except where the loss or liability is due to the negligence or willful misconduct of the City.

6. City Agent.

The City Manager is the City's agent for purposes of this Agreement. Whenever authorization or approval is required, the Firm understands that the City Council has the authority to provide the authorization or approval, except where the City Council has expressly delegated authority to the City Manager.

7. Independent Contractor.

The Firm, and anyone employed by the Firm, are not and shall not be, deemed employees of the City. The Firm is solely responsible for the payment of employment taxes, workers compensation taxes, and any other taxes for its employees.

8. Conflict of Interest.

The Firm represents that it presently has no material financial interest other than that which may be held by the general public and shall not acquire any interest, direct or indirect, in any contract or decision made on behalf of the City which may be affected by the services to be performed by the Firm under this Agreement. The Firm further agrees that no person having any such interest shall be employed by them. If the Firm, or their employees, acquires a direct or indirect personal interest, such interest shall be immediately disclosed to the City and the interested individual shall abstain from any contracts or decisions under this Agreement.

In addition to the proscriptions regarding conflicts of interest imposed on the Firm by the Business and Professions Code and by California Rules of Professional Conduct, the Firm represents that no attorney of the Firm shall represent clients before any board, commission, committee or agency of the City or represent any client with interests adverse to the City, unless a bona fide conflict of interest waiver is executed by both the City and other applicable parties. Furthermore, the Firm shall at all times avoid conflicts of interest or the appearance of a conflict of interest in performance of this Agreement. The Firm shall immediately notify the City Manager of any circumstances, or change of circumstances, that may provide for the potential for a conflict of interest, or actual conflict of interest.

9. Non-Liability of Officials/Employees of the City.

No official or employee of the City shall be personally liable for any default or liability under this Agreement.

10. Compliance with Law.

The Firm shall comply with all applicable laws, ordinances, codes and regulations of the Federal, State and local governments. In addition, the Firm agrees to abide by all ethical and moral standards as represented by the Rules of Professional Conduct as applied to the California State Bar.

11. Work Product.

All documents, or other information developed or received by the Firm under this Agreement shall be the property of the City, other than the class of materials referred to as “attorney work product”, such as notes, drafts, etc. The Firm shall provide the City with copies of items upon reasonable demand or upon termination of this Agreement. Upon termination of the Firm’s services to the City, the Firm will tender to the City all of the files and records pertaining to City’s business if the City so requests. At any time after one (1) year after termination of this Agreement, the Firm may on its own volition tender the City’s records to the City, and if the City does not make arrangements to pick up such records within sixty (60) days after the Firm has tendered them, the Firm, at its sole discretion, may destroy such records, and shall not be liable to the City whatsoever for doing so.

12. Early Termination of Agreement.

12.1 The City shall have the right to terminate this Agreement with or without cause at any time with 24 hour prior notice to the Firm. The Firm shall have the right to terminate this Agreement with 30 days prior notice to the City. Notices shall be sent to the following:

City: City of Imperial Beach
825 Imperial Beach Blvd.
Imperial Beach, CA 91932
Attn: Andy Hall, City Manager

Firm: Green de Bortnowsky, LLP
23801 Calabasas Road, Suite 1015
Calabasas, CA 91302
Attn: Charles R. Green

12.2 The Firm, however, shall not substitute out as the attorney of record on any litigation matters in which it may be representing the City without first obtaining written consent from the City, or first obtaining an appropriate court order, allowing the Firm to withdraw as counsel of record.

13. Limitations Upon Assignment/Subcontracting.

The Firm agrees that no portion of their performance or services rendered under this Agreement shall be assigned by the Firm or subcontracted to any other without prior written authorization and approval of the City.

14. Non-Discrimination.

The Firm represents that it is an equal opportunity employer and shall not discriminate against any person because of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, marital status, sex, age or sexual orientation.

15. Time of Essence.

Time is of the essence in the performance of this Agreement.

16. Authorization to Execute.

The persons executing this Agreement on behalf of the Parties warrant that they are duly authorized to execute this Agreement as herein stated.

17. Entire Agreement.

This Agreement represents the Parties' final and mutual understanding. This Agreement supersedes any previous agreements, oral or written.

18. Modification.

This Agreement shall not be modified or replaced except by another signed, written Agreement, properly executed by the Parties.

19. Waiver.

The waiver of any breach or any provision of this Agreement does not waive any other breach of that term, or any other term, in this Agreement.

20. Partial Invalidity.

If any part of this Agreement is found for any reason to be unenforceable, all other parts nonetheless shall remain in force.

21. Governing Law.

This Agreement shall be interpreted and construed in accordance with the laws of the State of California.

22. Interpretation.

This Agreement shall be interpreted as though prepared by both Parties.

23. Survival.

All obligations arising prior to the termination of this Agreement and all provisions of this Agreement allocating responsibility or liability between the City and the Firm shall survive the termination of this Agreement.

IN WITNESS WHEREOF, these parties have executed this Agreement on the day and year shown hereinabove.

Date: _____

CITY OF IMPERIAL BEACH

By: _____
Andy Hall, City Manager

Date: _____

Approved as to form:

By: _____
City Attorney

Date: _____

GREEN de BORTNOWSKY, LLP

By: _____
Charles R. Green, Principal

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STAFF REPORT
CITY OF IMPERIAL BEACH

TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: ANDY HALL, CITY MANAGER ^{AH}
MEETING DATE: DECEMBER 9, 2015
ORIGINATING DEPT.: STEVE DUSH, ASSISTANT CITY MANAGER
SUBJECT: AD HOC COUNCIL SUB-COMMITTEE TO WORK ON
COMMERCIAL ZONING RELATIVE TO MULTI-FAMILY
RESIDENTIAL

EXECUTIVE SUMMARY:

At the November 4, 2015 City Council Meeting, following Citizen Input, the City Council directed the Manager to prepare an item to form an Ad Hoc Council Sub-Committee to work on concerns expressed by some individuals relative to multi-family residential development within commercial zoning districts.

RECOMMENDATION:

Staff recommends that the Mayor appoint two Councilmembers to an ad hoc Council Sub-Committee to scope the issues relative to the concerns raised about some mixed use zoning districts and prepare an initial issues report and forward said report back to the entire City Council for review. Staff would further indicate that Councilman Patton, who provided the direction to staff has indicated that he would like to serve on the Sub-Committee.

RATIONALE:

Based upon comments received during citizen comments at the November 4, 2015 City Council meeting, staff was directed to present an ad hoc committee agenda item to study the issues. The ad hoc Sub-Committee can identify the elements they determine should be discussed to address the concerns and compile these elements into an initial issues report that may be forwarded to the full City Council for review.

OPTIONS:

- Have the Mayor appoint an ad hoc City Council Sub-Committee to scope the issues and prepare an initial issues report.
- Direct Staff to provide additional information and return back to City Council.

BACKGROUND:

Based upon comments received during citizen comments at the November 4, 2015 City Council meeting, staff was directed to present an ad hoc committee agenda item to study the issues. The ad hoc Sub-Committee can identify the elements they determine should be discussed to address

the concerns and compile these elements into an initial issues report that may be forwarded to the full City Council for review.

ANALYSIS:

In an effort to address direction from the City Council, comments from citizens, and following best practices for continual improvement, monitoring and review, a recommendation to form an ad hoc Council Sub-Committee to review the 2013 commercial zoning regulations in light of past citizen initiatives specifically related to multi-family residential development is sought.

ENVIRONMENTAL DETERMINATION:

This is not a project as defined by CEQA.

FISCAL IMPACT:

No direct fiscal impact.